



Commissioners of Northern Lighthouses

Report and Accounts to 31 March 2010



We must draw your attention to the note under the heading “Audit” on Page 36 of the Annual Report and Accounts. This note states that:

“The accounting records of the Commissioners’ of Northern Lighthouses are examined by the UK Comptroller and Auditor General prior to consolidation in the accounts of the General Lighthouse Fund. The General Lighthouse Fund Accounts are formally certified by the UK Comptroller and Auditor General under the terms of Section 211 of the Merchant Shipping Act 1995 and Section 3 of the Exchequer and Audit Departments Act 1921, as amended by the National Audit Act 1983. There is no provision for a separate audit certificate to be appended to these accounts”.

This means that an audit opinion has not been expressed upon them.

At the time of approval of these Accounts the Report and Accounts for the General Lighthouse Fund for the year ended 31st March 2010 have not been laid before Parliament.



The Patron
Her Royal Highness The Princess Royal LG LT GCVO QSO

Chairman’s introduction	-----	5
Chief Executive’s review	-----	7
The Commissioners of Northern Lighthouses	-----	9
Commissioners’ report	-----	13
Statement on internal control	-----	41
Aids to Navigation availability	-----	43
Running costs in cash and constant prices	-----	45
Net Expenditure Account for the year ended 31 March 2010	-----	47
Statement of Financial Position as at 31 March 2010	-----	49
Statement of Cash Flows for the year ended 31 March 2010	-----	51
Changes in General Lighthouse Fund Equity for 2009/2010	-----	53
Notes to the Accounts for the year ended 31 March 2010	-----	55
Letter of Comfort	-----	87

The Commissioners as at 23 September 2010

Sir Andrew Cubie CBE (Chairman)

Sheriff Principal R Alastair Dunlop QC (Vice-Chairman)

The Rt Hon Elish Angiolini QC WS
Frank Mulholland QC

Sheriff Principal Edward F Bowen CBE TD QC
Sheriff Principal Bruce A Kerr QC
Sheriff Principal Brian Lockhart
Sheriff Principal Sir Stephen S T Young Bt QC
Sheriff Principal James A Taylor

Councillor The Rev Dr George Grubb
Councillor Robert Winter
Councillor William Petrie OBE JP DL
Councillor Peter Stephen
Councillor Sandy Park

Captain H M Close
Robert Quayle
Alistair Whyte
John Ross CBE
Alistair Mackenzie

Chief Executive

Roger Lockwood CB

Secretary to the Board

Jill Bennett

Office and advisers

Office

84 George Street
Edinburgh
EH2 3DA

Bankers

Royal Bank of Scotland PLC
36 St Andrew Square
Edinburgh EH2 2YB

Auditors

Comptroller and Auditor General
157 - 197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Solicitors

Bell and Scott LLP
16 Hill Street
Edinburgh EH2 3LD

Insurance Brokers

Willis Limited
The Willis Building
51 Lime Street
London
C3M 7DQ

Bluefin Insurance Services Ltd
1 Pinkhill
Edinburgh
EH12 7BA

Actuaries

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB



Sir Andrew Cubie CBE
Chairman

In the long history of the Northern Lighthouse Board many of my predecessors must have considered in their time that they and the Board faced some exceptional challenges. They did, and in due course overcame them. For example, the prospect of de-manning, as it began to develop legitimacy, created anxieties about the viability of the Northern Lighthouse Board for the future. Whilst following upon that de-manning, which was a turning point for the Board, traditions and an exceptional social order changed for ever, the Board thereafter enhanced strongly the service to mariners it provided in accordance with the circumstances of the day and continues to do so to this day.

I do not exaggerate in reflecting that in decades ahead 2009/10 will also be seen as a turning point in the way in which we provide safety to all mariners around the coasts of Scotland and the Isle of Man and, in accepting today's challenges, we also must strengthen our operations and provision.

This is not the place for me to write at length about the sequence of events which has created such a turning point. However, a world in recession, with acute collateral damage to the shipping industry, led to ship owner clamour for a root and branch review of the way in which the three General Lighthouse Authorities (GLAs) for the UK and Ireland are funded and how they provide aids to mariners. This in turn led to periodic, but intense political scrutiny going to the heart of the constitution and purpose of the Northern Lighthouse Board. During 2009 and 2010 debates in both the House of Commons and the House of Lords probed issues about the individual and collective efficiency of the GLAs. The consequent independent review, conducted on behalf of the Department for Transport by the consultancy, Atkins, was published in March 2010. During this period I have been closely involved in meetings with Ministers, both with United Kingdom and Scottish portfolios, (including welcoming the then United Kingdom Minister for Shipping to Oban in September 2009). With the Chief Executive I have also attended frequent meetings with the Department for Transport and with Atkins. The Atkins Review has yet to be accepted by Governments in both London and Dublin. However, some of the 52 recommendations either reinforced existing GLA policy intention or, where manifestly helpful in making the work of the GLAs more effective and potentially more cost effective, they have begun to be implemented. Let me refer in particular to the Joint Strategic Board (the JSB), the formation of which is one of the key Atkins recommendations.

There has, of course, been collaboration and sharing of good practice across the three GLAs for many years. Some of this led to material advantage across all three organisations, but some rested more on rhetoric, not impact. A number of us in the Northern Lighthouse Board who attended meetings of the former Joint Consultative Group (the JCG) concluded in 2009 that the JCG, which involved all three GLAs had served its purposes and a more strategic body was required to replace it. This was the genesis of the JSB.

I, the Vice-Chairman and the Chief Executive are members of the JSB as are our opposite numbers in Trinity House and the Commissioners of Irish Lights. We meet under an independent Chairman, initially one of the Board members of Trinity House. The JSB held its first meeting at the end of April 2010 and, although beyond the scope of this review, its creation, as I have indicated, was shaped during the year under review. No part of the Northern Lighthouse Board's statutory obligations has been altered by the creation of the JSB and membership of that Board is based under its Terms of Reference on a consensual approach. We look forward to enhancing our own efficiency by better collaboration and a shared purpose in delivering a transparently cost effective service consistent with discharging our inescapable statutory duties.

Finally, let me thank the Board of Commissioners for their significant contributions and timely scrutiny of the work of the Board during the last year. May I also pay earnest tribute to the commitment, skill and determination of all staff who, ably led by Roger Lockwood, have continued to meet the most demanding of operational requirements and who are alert to the changing and enhanced demands of those many who rely with confidence upon us.

A handwritten signature in dark ink, appearing to read 'Sir Andrew Cubie', with a horizontal line underneath.

Sir Andrew Cubie, CBE
Chairman, Northern Lighthouse Board



Roger Lockwood
Chief Executive

The financial year 2009/2010 was a pivotal year for all three General Lighthouse Authorities. It opened in the midst of a Government Consultation into a proposed increase in the level of Light Dues, the first since 1993, including increases in the tonnage cap and the number of chargeable journeys. The reaction by the Shipping and Port Industries to the Consultation was intense and resulted in a reduced increase, phased in over two years. These increases, together with a revival in the City, reversed a downward plunge in the value of the General Lighthouse Fund which now appears to be stable. The immediate aftermath of the Consultation, however, was the joint commissioning by the Department for Transport (UK) and the Department of Transport (Republic of Ireland) of an Assessment of the Provision of Marine Aids to Navigation around the United Kingdom and Ireland. This was awarded to the engineering consultancy company, W S Atkins.

The "Atkins Review" was published in March 2010 and made 52 separate recommendations into the running of the GLAs themselves, the operation of the General Lighthouse Fund, the Light Dues charging regime and UK-Irish relations. The report was welcomed by all three GLAs and the Industry, although, at the time of writing, it has yet to be approved by the Departments following the General Election in the United Kingdom. Departmental approval notwithstanding, the GLAs are progressing with those recommendations which are within their remit to action. A significant recommendation was the creation of a "Joint Strategic Board" consisting of the GLA Chairmen, Chief Executives and, where appropriate, the Non Executive Directors nominated by the Secretary of State; one of these Non Executive Directors will act as an independent Chairman of the JSB. The JSB was formally constituted in April 2010 and is proceeding vigorously to drive further and closer tri-GLA coordination and cooperation and to release the efficiencies that can be gained.

These developments over the year, together with Pay (see below), engendered an atmosphere of considerable uncertainty amongst the staff and it has been a first priority to keep them informed and to maintain morale. Despite this uncertainty, the NLB has continued, throughout the year, to deliver on its mission to provide a reliable, efficient and cost-effective network of Aids to Navigation. We have maintained Aids to Navigation availability at or above the demanding international requirements placed upon us and have come through the recent very demanding winter without serious mishap. With respect to cost-effectiveness, the "Stretch Target" introduced for the year 2008/2009, was fully incorporated into the budget for 2009/2010 with the intention to exceed this if possible. We have done so.

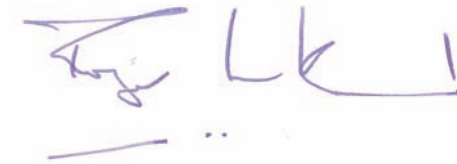
The revised Grading and Performance Management Structure for shore personnel, designed, not least, to make their pay system Equal Pay proof, entered its second year of a three year roll out programme. Ministerial approval of the second tranche, despite earlier Departmental approval of the original restructuring exercise, was very drawn out and was not delivered until November 2009. This delay had given cause for added concern to our people and I am glad to report that the Pay Remit for the coming year has already received Ministerial approval and is currently with the Trades Unions for negotiation.

The 2010 Aids to Navigation Review was carried out throughout the year and presented to the Joint User Consultative Group in London in May 2010. This continues from the 2005 Review and, for the first time, has been able to take advantage of AIS tracking more accurately to reflect shipping patterns and usage and therefore better to assess the value of an individual Aid to Navigation. For the Northern Lighthouse Board, this contained over 60 recommendations from the closure of lighthouses and discontinuance of buoys, to range decreases and transfers to Local Lighthouse Authorities. Two lighthouses have already been extinguished.

The Architects commissioned to advise on the refurbishment of the NLB Headquarters at 84 George Street, Edinburgh, delivered their recommendations to the Managing Board in April 2009, but further consideration has been delayed until the full outcome of the Atkins Review and the way ahead have been made clear. In the meantime, the Architects are revisiting their work to establish whether a much lower level of design and

refurbishment might be achievable both to deliver the aim of the Board and to reduce the potential cost.

It has been a difficult year, but the staff, both ashore and afloat, have remained dedicated to the task in hand. Whatever role they might fill, they have all contributed to NLB's main output, which is to maintain the navigational safety of the mariner, to support the continuance of seaborne trade and to protect the marine environment.



Roger Lockwood
Chief Executive



Sir Andrew Cubie CBE (B, M, N, R)
Elected by the Commissioners. Chairman since 1 April 2009. Commissioner since 14 January 2003 and currently co-opted until 13 January 2012.
 Consultant to the firm of Fyfe Ireland LLP, Non-Executive Director; Crown Place PLC, and a number of private companies engaged in corporate finance to manufacturing; Deputy Chairman RNLI; Chairman RNLI Scotland, Scottish Credit & Qualifications Framework, Quality Scotland, Healthy Working Lives; Board member The Leadership Foundation, HMIE and Common Purpose



Edward Farquharson Bowen CBE TD QC (B, N)
Sheriff Principal of Lothian and Borders. Commissioner since 17 November 1997.
 Sheriff Principal of Glasgow and Strathkelvin 1997-2005; Temporary Judge of the Court of Session since 2000; Advocate 1970; Advocate Depute 1979-83; Sheriff of Tayside, Central and Fife at Dundee 1984-90; QC 1992; Chairman (part-time), Industrial Tribunals 1995-97; Member of Criminal Injuries Compensation Board 1996-97; Governor, Dundee Institute of Technology 1987-90.



R Alastair Dunlop QC (B, M, Nav, R)
Sheriff Principal of Tayside, Central and Fife. Commissioner since 28 April 2000. Vice-chairman since 1 April 2009.
 Advocate 1978; Advocate Depute 1985-1988; Standing Junior counsel to Department for Transport 1988-90; QC 1990; Chairman part-time, Employment Tribunals 1998-00; Chairman part-time, Pensions Appeal Tribunal 1991-2000; Procurator of the General Assembly of the Church of Scotland 1991-00.



Bruce Alexander Kerr QC (B, M, N)
Sheriff Principal of North Strathclyde. Commissioner since 31 December 1998.
 Advocate 1973; Standing Junior counsel to Home Office in Scotland 1982-85; QC 1986; Advocate Depute 1986-89; Chairman (part-time), VAT Tribunals 1992-94; Trustee, National Library of Scotland 1994-99; Sheriff of Glasgow and Strathkelvin 1994-98; Sheriff Principal of North Strathclyde since 1999.



The Rt Hon Elish Angiolini QC WS (B, N)
Lord Advocate for Scotland since 12 October 2006. Commissioner since 5 December 2001.
 Procurator Fiscal service 1983-2001 - (Airdrie, Crown Office, Lord Advocate's secretariat, Crown Office Management Services Group, Glasgow, Crown Office Head of Policy) Regional Procurator Fiscal (Grampian, Highlands & Islands) 2000-2001; Solicitor General for Scotland 2001-2006; Appointed Lord Advocate on 12 October 2006



Brian Lockhart (B)
Sheriff Principal of South Strathclyde, Dumfries and Galloway. Commissioner since 1 November 2005
 Partner, Robertson Chalmers and Auld, Solicitors, Glasgow 1967-1979; Sheriff of North Strathclyde at Paisley 1979-1981; Sheriff of Glasgow and Strathkelvin 1981-2005; Member of Parole Board for Scotland 1999-2003; President Sheriffs' Association 2003-2005; Temporary Judge in the Court of Session since 2008.



Frank Mulholland QC (B, A)
Solicitor General for Scotland. Commissioner since 30 May 2007
 Procurator Fiscal Service 1984-1997 (Greenock, Glasgow, Edinburgh, Crown Officer High Court Unit, Crown Office Appeals Unit). Advocate Depute 1997-1999. Assistant Procurator Fiscal & District Procurator Fiscal (Edinburgh) 1999-2002. Senior Advocate Depute 2002-2006. Area Procurator Fiscal (Edinburgh & Lothian) 2006-07. Appointed Solicitor General on 30 May 2007.



James A Taylor (B, N)
Sheriff Principal of Glasgow and Strathkelvin. Commissioner since 1 October 2005
 Partner, AC Morrison & Richards, 1980; Partner, McGrigor Donald, 1988 - Head of Litigation Department, 1992; Attained rights of audience in the Court of Session, Scotland's Supreme Court, 1993; Sheriff of Lothian and Borders, 1998; transferred to Glasgow in 1999; Sheriff Principal Sherifdom of Glasgow and Strathkelvin, 2005.



Sir Stephen S T Young Bt QC (B, A, R)
Sheriff Principal of Grampian, Highland and Islands. Commissioner since 10 September 2001.
 Solicitor 1973; Advocate 1977; QC 2002; Sheriff of Glasgow and Strathkelvin, March - June 1984; Sheriff of North Strathclyde at Greenock, June 1984 - September 2001



John Ross CBE FRAGS (B, A, R)
Elected by the Commissioners. Commissioner since 1 October 2008 and co-opted until 30 September 2011.
 Senior Partner Auchenree Farms; Chairman Moredun Foundation; Chairman Vetaid; Chairman NFU Mutual Scottish Board; Chairman NHS Dumfries and Galloway 1997-2008; President NFU Scotland 1990 - 1996.



Captain H M Close (B, A, Nav)
Elected by the Commissioners. Commissioner since 1 July 2008 and co-opted until 30 June 2011
 Senior Principal Consultant with GL-Noble Denton Ltd, providing specialist advice and project management support to the global offshore industry; Member of Royal Institution of Naval Architects, Chartered Institute of Logistics and Transport, Chartered Management Institute.



Alistair Whyte (B, M, Nav)
Elected by the Commissioners. Commissioner since 28 February 2004 and currently co-opted until 27 February 2013.
 Master Mariner; formerly Deputy Chairman, Red Funnel Group (Holdings) Ltd; Fellow of the Institute of Chartered Shipbrokers; Fellow of the Chartered Institute of Transport.



Alistair Mackenzie (B, M, Nav)
Elected by the Commissioners from 1 August 2009 and co-opted until 31 July 2012.
 Master Mariner currently Director, Oil & Gas for the Achilles Group companies and a non-executive member of the Achilles Board, and Aberdeen Harbour Board.



Councillor The Rev Dr George Grubb (B)
The Rt Hon The Lord Provost of Edinburgh. Commissioner since 17 May 2007
 President: Edinburgh International Science Festival; Chair and Director: Edinburgh International Festival Society, Edinburgh Military Tattoo (Charities) Ltd, Edinburgh Military Tattoo Ltd; Director: Dynamic Earth Charitable Trust.



Robert Quayle (B, M, N)
Commissioner nominated by the Lieutenant Governor of the Isle of Man. Commissioner since 26 May 2004 and currently co-opted until 25 May 2013
 Chairman, Isle of Man Steam Packet Company; Director of IPIR Ltd, Principal Subsidiary of UK P&I Club, Director, Total (Isle of Man); English Solicitor, 1974; Clerk of Tynwald and Secretary of the House of Keys, 1976-1987; Partner then consultant with Travers Smith Brathwaite, 1987 - 1999.



Councillor Sandy Park (B)
Convener of Highland Council. Commissioner since 17 May 2007
 Former Chair of Planning, Development, Europe and Tourism Committee 2001 - 2007; former Chair of Highland Opportunity (10 years); Provost of Nairn for 8 years; retired 2007 as General Manager WW Brown, Butchers.



Councillor William Petrie OBE JP DL (B)
Convener, Argyll and Bute Council. Commissioner since 1 April 2001.

Chairman, Helensburgh & District Council 1970-75; Vice Convener of Dunbartonshire 1970-72; County Convener of Dunbartonshire 1972-74; Provost, Dumbarton District Council 1977-80, 1988-91; Vice Convener, Argyll and Bute Council 1996-2001; Board Member, NHS Highland; Board Member, Loch Lomond & the Trossachs National Park; Chairman, Argyll, Loch Lomond & Forth Valley Tourism Partnership.



Councillor Robert Winter (B)
The Rt Hon Lord Provost of Glasgow. Commissioner since 17 May 2007

Lord Lieutenant of the City of Glasgow; convener of the Risk Management Authority from 2004; lay member of the General Medical Council 1996-2007; member of the NHS Greater Glasgow Primary Care Trust 1996 -2005; past President of the Association of Directors of Social Work, retired 1996 as Director of Social Work, Strathclyde Region.



Councillor Peter Stephen (B)
Lord Provost of Aberdeen. Commissioner since 16 May 2007

Lord-Lieutenant of Aberdeen City; Lord High Admiral of the Northern Seas; Vice Admiral of the Coast of Great Britain & Ireland; Trustee on the Board of the National Library of Scotland; President of Aberdeen Branch of the Royal National Lifeboat Institution; Honorary President of the Bridge of Don Sea Cadet Unit; Vice President - Shipwrecked Fishermen & Mariners' Royal Benevolent Society; Vice President of Highland Reserve Forces' & Cadets' Association Member of the Chartered Institute of Bankers in Scotland.

B - Board of Commissioners
M - Managing Board
Nav - Navigation Committee

N - Nomination Committee
R - Remuneration Committee
A - Audit & Risk Committee

The Commissioners of Northern Lighthouses have pleasure in presenting their Report and Accounts for the year ended 31 March 2010. These Accounts are prepared by the Commissioners in respect of their function as the General Lighthouse Authority for Scotland and adjacent seas and islands and the Isle of Man in accordance with a directive made by the Department for Transport under the powers of the Secretary of State contained in Section 218 of the Merchant Shipping Act 1995 and are subsequently consolidated to form part of the General Lighthouse Fund Accounts which are prepared pursuant to Section 211(5) of the Merchant Shipping Act 1995.

Management

Board membership

The Commissioners were established as a corporate body in 1786. Their incorporation is set out in Section 193 of and Schedule 8 to the Merchant Shipping Act 1995 and, is as follows:-

- (a) The Lord Advocate and the Solicitor-General for Scotland;
- (b) The Lords Provosts of Edinburgh, Glasgow and Aberdeen and the Conveners of Highland and of Argyll & Bute Councils;
- (c) The Sheriffs Principal of all the Sheriffdoms in Scotland;
- (d) a person nominated by the Lieutenant Governor of the Isle of Man and appointed by the Secretary of State;

In addition, the Commissioners may elect;

- (e) not more than five other persons elected by the Commissioners under, and subject to, the proviso set forth in Paragraphs 2 and 3 of Schedule 8 to the Act;
- (f) the convener of any council whose area includes any part of the coast of Scotland.

The ex-officio appointments are for duration of the occupancy of the qualifying office. Persons appointed under (d) and (e) hold office for three years but may be re-appointed for further terms.

The Commissioners have also agreed with the Department for Transport that the Secretary of State will nominate one person for election under (e).

The membership of the Northern Lighthouse Board in **2009/2010** was as follows:-

Law Officers for Scotland

The Rt Hon Elish Angiolini QC WS, The Lord Advocate
Commissioner since 5 December 2001
Frank Mulholland QC, Solicitor General for Scotland
Commissioner since 30 May 2007

Sheriffs Principal of the Sheriffdoms in Scotland

Sheriff Principal Edward F Bowen CBE TD QC, Sheriff Principal of Lothian and Borders

Commissioner since 17 November 1997 and Chairman from 1 April 2002 to 31 March 2005

Sheriff Principal R Alastair Dunlop QC, Sheriff Principal of Tayside, Central & Fife

Commissioner since 28 April 2000

Sheriff Principal Bruce A Kerr QC, Sheriff Principal of North Strathclyde

Commissioner since 31 December 1998

Sheriff Principal Brian Lockhart, Sheriff Principal of South Strathclyde, Dumfries and Galloway.

Commissioner since 1 November 2005

Sheriff Principal James A Taylor, Sheriff Principal of Glasgow and Strathkelvin

Commissioner since 1 November 2005

Sheriff Principal Sir Stephen Young Bt QC, Sheriff Principal of Grampian, Highland and Islands

Commissioner since 10 September 2001

Nominated by the Lieutenant-Governor of the Isle of Man and appointed by the Secretary of State

Robert Quayle

Commissioner since 26 May 2004 and appointed until 25 May 2013

Elected by the Commissioners

Captain George Sutherland FNI, formerly Director of Marine Operations, Shetland Islands Council

Commissioner since 1 August 2003 and Chairman since 1 April 2007 and co-opted until 31 July 2009

Alistair Whyte

Commissioner since 28 February 2004 and co-opted until 27 February 2013

Captain Mike Close

Commissioner since 1 July 2008 and co-opted until 30 June 2011

John Ross CBE

Commissioner since 1 October 2008 and co-opted until 30 September 2011

Alistair Mackenzie

Commissioner since 1 August 2009 and co-opted until 31 July 2012

Nominated by the Secretary of State and elected by the Commissioners

Sir Andrew Cubie CBE

Commissioner since 14 January 2003 and co-opted until 13 January 2012

Lord Provosts

Councillor Robert Winter, The Rt Hon Lord Provost of Glasgow

Commissioner since 17 May 2007

Councillor Reverend Dr George Grubb, The Rt Hon Lord Provost of Edinburgh

Commissioner since 17 May 2007

Councillor Peter Stephens, Lord Provost of Aberdeen

Commissioner since 16 May 2007

Convener of Highland Council

Councillor Sandy Park

Commissioner since 17 May 2007

Convener of Argyll & Bute Council

Councillor William Petrie OBE JP DL

Commissioner since 1 April 2001

Average number of years service for
Commissioners in post on 31 March 2010

5.6

Patron

Her Royal Highness The Princess Royal LG LT GCVO QSO continues to act as the Patron of the Northern Lighthouse Board.

Senior management in 2009/2010

Roger Lockwood CB

Chief Executive

Moray Waddell B.Sc.(Hons) MSc MIEE MIMechE MCIBSE

Director of Engineering

Captain Phillip Day MNI

Director of Marine Operations

Douglas Gorman ACMA MIIA FIA

Director of Finance and Administration

Corporate Governance

Organisation structure

The Commissioners form the Board of Commissioners that leads and controls the Northern Lighthouse Board. The Board of Commissioners meet on four occasions each year and has a formal schedule of matters reserved to it for decision. There are six Committees of the Board that also meet frequently and regularly and deal with specific aspects of the management of the Northern Lighthouse Board.

The Board has delegated authority to these Committees and each has defined terms of reference, subject to annual review. In the year all terms of reference have been reviewed and where necessary amended.

At its meeting on 22nd February 2010 the Board of Commissioners approved the following proposals:

- that the Heritage and Estate Committee be formally disestablished with immediate effect. The business of the Committee would pass to the Managing Board with the proviso that, should the extra work load prove to be burdensome to the Managing Board, then consideration should be given to re-establishing the Committee.

- that the Ship Committee be formally disestablished on the understanding that it could also be reconvened if necessary.
- that the Board of Commissioners reduce from four to three meetings a year from April 2011, with the caveat that the timings of the meetings should be adjusted in line with business process requirements, reporting Committees and the new strategic Joint Strategic Board meetings.

The Commissioners are all independent, i.e. they have no personal financial interest, other than as Commissioners, in the affairs of the Board, no potential conflict from cross-directorships, and no day-to-day involvement in the running of the Northern Lighthouse Board other than as members of the Managing Board.

Only co-opted Commissioners and the Isle of Man Nominee receive remuneration for their services. The arrangements are set out in an agreement with DfT. The level of remuneration and annual increase are notified to the Board by the DfT and are based on remuneration paid to similar non-executive posts in other public bodies.

The Director of Finance and Administration provides the DfT with an annual analysis of individual payments made to co-opted Commissioners to provide an assurance on compliance with this remuneration guidance.

The Board of Commissioners has vested responsibility for the overall management of activities in a Managing Board. It is made up of the Chairman, Vice Chairman, four other Commissioners, the Chief Executive and the three Directors. The Managing Board meets on six occasions each year. The Board of Commissioners has also established four other committees to deal with specific topics:

Audit and Risk Committee - to review the effectiveness of the internal control systems including corporate governance

Navigation Committee - to formulate policies for the provision of Aids to Navigation

Nomination Committee - to recommend individuals to be appointed as Commissioners under Paragraph 2 & 3 of Schedule 8 to the Merchant Shipping Act 1995, and to recommend Commissioners for appointment to the Board's Committees.

Remuneration Committee - to determine remuneration for the Chief Executive and executive directors

The Board of Commissioners and all its committees receive papers for meetings one week prior to all meetings. To ensure that the Commissioners are properly briefed a number of arrangements have been put in place, for example:

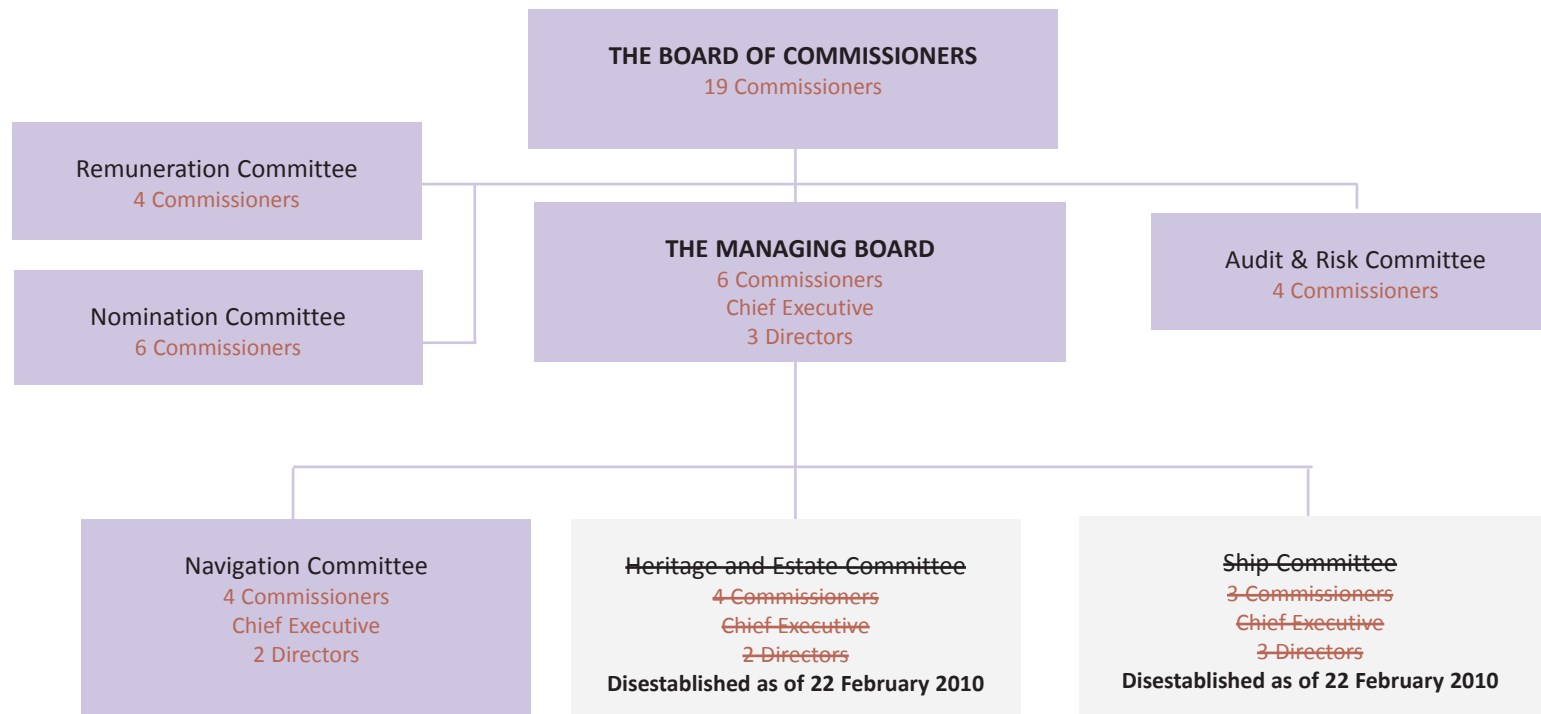
- attendance at Board of Commissioners' meetings by the Chief Executive and Directors;
- attendance at Board of Commissioners and Committee meetings by managers who can provide specialist and professional advice to Commissioners.

Code of best practice for Board members

The Board has formally adopted a Code of Guidance for Commissioners. The Code is based on a Model Code of Best Practice for Public Bodies issued by HM Treasury. The Code is underpinned by the Seven Principles of Public Life set out by the Committee on Standards in Public Life.

Additional information required by Commissioners is provided by the Chief Executive and Directors.

The Board's committee structure during the year was as follows:



Board of Commissioners

At its meetings, the Board of Commissioners receives reports from the various committees and considers matters specifically reserved to the Board. During the year, the Board has approved the Corporate Plan; the Annual Report and Accounts; considered the case for the refurbishment of the Board's head office and considered the case for establishing subsidiary organisations.

Number of Meetings held in 2009/2010 4

Committee Members Attendance

Commissioners

Sir Andrew Cubie (Chairman)	4/4
The Rt Hon Elish Angiolini	3/4
Frank Mulholland	3/4
Sheriff Principal Edward F Bowen	2/4
Sheriff Principal R Alastair Dunlop	4/4
Sheriff Principal Bruce A Kerr	3/4
Sheriff Principal Sir Stephen Young	2/4
Sheriff Principal James A Taylor	0/4
Sheriff Principal Brian Lockhart	1/4
Councillor Robert Winter	0/4
Councillor The Rev Dr George Grubb	1/4
Councillor William Petrie	0/4
Councillor Peter Stephen	1/4
Councillor Sandy Park	2/4
Robert Quayle	3/4
Captain George Sutherland	1/1
Alistair Whyte	4/4
Captain Mike Close	4/4
John Ross	4/4
Alistair Mackenzie	3/3

Managing Board

The Managing Board meeting has a standing agenda which includes:

- financial performance and forecast review;
- review of performance indicators of Aids to Navigation;
- Quality, Health, Safety and Environment matters;
- Heritage & Estate matters

Number of Meetings held in 2009/2010 6

Committee Members Attendance

Commissioners

Sir Andrew Cubie (Chairman)	5/6
Sheriff Principal R Alastair Dunlop	5/6
Sheriff Principal Bruce Kerr	6/6
Alistair Mackenzie	4/4
Robert Quayle	6/6
Alistair Whyte	5/6
Captain Mike Close	2/2

Audit and Risk Committee

The Audit and Risk Committee, which is comprised entirely of Commissioners and is advised as necessary by the Chief Executive and Director of Finance and Administration, has been given wide terms of reference by the Board of Commissioners to review all areas of financial control and probity. The Committee meets four times annually, to discuss findings, and to consider detailed audit reports and recommendations for the improvement of the Board's systems of internal control, together with management's response and implementation plans. It reviews the Board's annual financial statements together with the accounting policies. On at least one occasion each year the Committee is joined by the National Audit Office. The Audit Manager from the Department for Transport's Audit and Risk Assurance Division (who provide an independent internal audit service to the Board) attends every meeting.

5/6 Denotes the number of attendances/number of possible attendances eg five attendances out of a possible six

During the year the Committee reviewed the findings of internal audits carried out covering data handling, business continuity, risk management, helicopter provision, corporate planning. The Committee also considered the going concern statement. The National Audit Office joined the Committee for two meetings in 2009/2010. All meetings include a private session between the Committee Members and the Head of Internal Audit and National Audit Office representative.

The responsibility for auditing the accounting records lies with the Comptroller and Auditor General under Section 211 of the Merchant Shipping Act 1995. The Committee is not therefore involved in the re-appointment of auditors.

Only in exceptional circumstances will the Board engage the auditors to undertake non-audit work. In these circumstances approval will be sought from the DfT and the National Audit Office to avoid any potential conflict of interest. During the year there was no non-audit work completed.

The Audit & Risk Committee reports directly to the Board and met on 4 occasions during 2009/2010.

Number of Meetings held in 2009/2010 **4**

Committee Members Attendance

John Ross (Chairman)	4/4
Sheriff Principal Sir Stephen Young	1/4
Captain Mike Close	2/2
Frank Mulholland	2/2
Robert Quayle	2/2
Sheriff Principal Bruce Kerr	1/2

Ship Committee

The Ship Committee was responsible for preparing policy on the Board's current and future shipping requirement and was disestablished on 22 February 2010 and its business subsumed by the Managing Board.

There were no official meetings held of the Ship Committee.

Number of Meetings held in 2009/2010 **0**

Navigation Committee

The Navigation Committee is responsible for determining the requirements for specific Aids to Navigation and reviewing the plans and financial projections for any changes to the Board's network of Aids to Navigation and managing, on behalf of the Board, the consultation process with the maritime community.

During the year the Committee continued to monitor and approve the capital works programme.

The Committee reports directly to the Managing Board and met on 4 occasions during 2009/2010.

Number of Meetings held in 2009/2010 **4**

Committee Members Attendance

Alistair Whyte (Chairman)	4/4
Captain George Sutherland	1/1
Sheriff Principal R Alastair Dunlop	3/4
Captain Mike Close	4/4
Alistair Mackenzie	3/3

Nomination Committee

The Nomination Committee is responsible for the appointment process for Co-opted Commissioners under Paragraph 2 and 3 of Schedule 8 of the Merchant Shipping Act 1995. Part of the process is to identify the specific skills required by new Commissioners to balance the existing skills within the Board and to complement the skills within the Executive. The Committee also made recommendations on the membership of the Board's Committees.

The Committee met on one occasion during the year.

The Committee reports directly to the Board. The decision on individual appointments is reserved to the Board who make the decision based on the recommendation made by the Committee.

Number of Meetings held in 2009/2010 1

Committee Members Attendance

Sheriff Principal Edward F Bowen (Chairman)	1/1
The Rt Hon Elish Angiolini	1/1
Sheriff Principal Bruce Kerr	1/1
Sheriff Principal James A Taylor	0/1
Robert Quayle	1/1
Sir Andrew Cubie	1/1

Remuneration Committee

The salary and bonuses of the Chief Executive and Directors are determined by a Remuneration Committee consisting of the Chairman and Vice Chairman and two other Commissioners.

During the year the Committee completed the Directors' Salary Review that took effect from 1 August 2009.

The Committee reports directly to the Board of Commissioners.

Number of Meetings held in 2009/2010 1

Committee Members Attendance

Sir Andrew Cubie (Chairman)	1/1
Sheriff Principal Sir Stephen Young	1/1
John Ross	1/1
Sheriff Principal R Alastair Dunlop	0/1

Heritage and Estate Committee

The Heritage and Estate Committee was responsible for the formulation of policies covering the generation of commercial income from the Board's estate, in partnership with other organisations as required. It was also responsible for the formulation of policies covering public access and neighbouring property, specifically in relation to ex-NLB property.

The Committee reported to the Managing Board and met on 2 occasions during 2009/10. The Committee was disestablished on 22 February 2010 and its business subsumed by the Managing Board.

Number of Meetings held in 2009/2010 2

Attendance at Meetings

Robert Quayle (Chairman)	2/2
Sheriff Principal Brian Lockhart	0/2
John Ross	2/2
Sheriff Principal Bruce A Kerr	2/2

Management Commentary

Statutory environment

The Commissioners owe their origin to the Act 26 George III Cap 101 dated 1786 which appointed nineteen Commissioners to carry out the Act which stated in its preamble that "it would conduce greatly to the security of navigation and the fisheries if four lighthouses were erected in the northern parts of Great Britain". The Act gave the Commissioners the necessary powers to purchase land, levy dues and borrow funds. Further legislation widened the Commissioners' powers and they were given the power to erect lighthouses on the Isle of Man in 1854.

The Commissioners were incorporated by Act of Parliament in 1798 under the title "The Commissioners of the Northern Lighthouses". This title was altered to its present form by the Merchant Shipping Act 1853.

Under Section 193 of the Merchant Shipping Act 1995 the Commissioners of Northern Lighthouses are appointed as the General Lighthouse Authority for Scotland and adjacent seas and islands and the Isle of Man, and under Section 195 are vested with responsibility for the superintendence and management of all lighthouses, buoys and beacons.

The Commissioners, within the area of jurisdiction for which they are the General Lighthouse Authority, have various powers and responsibilities in connection with the provision, maintenance, alteration, inspection and control of lighthouses, buoys and beacons, under Section 197 of the 1995 Act as amended. They also have Wreck Removal powers under Section 253 of the Act.

The Northern Lighthouse Board carries out the functions of the Commissioners of Northern Lighthouses who are constituted in terms of, and are given certain powers and duties by, Part VIII of and Schedules 8 and 9 to the Merchant Shipping Act 1995. The subject matter of that Act is a reserved matter under Section 30 of and Schedule 5 to the Scotland Act 1998 and in terms of Section 29 of

the Scotland Act 1998. The Board's affairs will continue to be subject to legislation passed by the United Kingdom Parliament. Ministerial responsibility will remain with the Department for Transport.

The Merchant Shipping and Maritime Security Act 1997 amended the Merchant Shipping Act 1995 to give the Board the powers to enter into, and perform contracts with, third parties utilising spare capacity, with the permission of the Secretary of State. The Commencement Order for this and other provisions came into force on 17 July 1997.

The General Lighthouse Authorities (Beacon: Maritime Differential Correction System) Order 1997 came into force on 12 January 1998 and states that the definition of "Beacon" in Part VIII of the Merchant Shipping Act 1995 includes equipment for a Differential Global Positioning System (DGPS).

The General Lighthouse Authorities (Beacons: Automatic Identification System) Order 2006 came into force on 21 July 2006 and states that the definition of "Beacon" in Part VIII of the Merchant Shipping Act 1995 includes Automatic Identification System equipment used to provide aids to navigation.

The Corporation of Trinity House (England, Wales, Channel Islands and Gibraltar), the Commissioners of Northern Lighthouses (Scotland and the Isle of Man) and the Commissioners of Irish Lights (the whole of Ireland) are the General Lighthouse Authorities (GLAs) for the British Isles.

Responsibilities

General

As the General Lighthouse Authority for Scotland and the Isle of Man the Board has responsibility, subject to certain provisions, for the superintendence and management of "all lighthouses, buoys and beacons" throughout Scotland and the Isle of Man including "the adjacent seas and islands..." within and beyond territorial waters. In all, the Board provides over 400 physical aids complemented by a mix of radio navigation aids for the safety of all mariners engaged in general navigation irrespective of who pays for the service, the size or type of the vessel, her equipment fit, the competence of her crew, or her flag.

Safety of Life at Sea Convention

Because of its powers and duties under public law, the Board assumes responsibility for positive discharge of the Government's obligations under the Safety of Life at Sea Convention 1974 (Chapter V, Regulation 14) for the provision and maintenance of aids to navigation within its area of jurisdiction. To assist this process, the Board, together with General Lighthouse Authorities for England & Wales and Ireland, takes steps to:

- observe and record developments at the International Maritime Organisation (IMO);
- actively participate at Council and Committee level at the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA);
- observe and record maritime developments within the European Union and elsewhere;
- maintain links with the International Telecommunications Union through the national radio licensing authority and IALA, regarding the allocation of radio frequencies in NW Europe;

Marking of works below High Water

The Board acts as an adviser to the Scottish Government on the establishment and variation, from time to time, of navigational marking for certain works to which the consent of the Secretary of State has been issued under Section 34 of the Coast Protection Act 1949 - as extended to offshore installations in designated areas by Section 4 of the Continental Shelf Act 1964.

Wreck removal powers

The Board has a statutory responsibility for wrecks. The Board has powers to "mark, raise, remove or destroy" any vessel "sunk, stranded or abandoned in any fairway, or on the seashore or on or near any rock, shoal or bank, in its area of jurisdiction or any of the adjacent seas or islands" where there is no harbour or conservancy authority with power to raise, remove, or destroy the vessel.

Local Lighthouse Authorities

Local Lighthouse Authorities are required to obtain the sanction of the appropriate General Lighthouse Authority for their area to establish, alter or discontinue any aids to navigation within their local jurisdiction. As part of their statutory responsibilities, the Board inspect over 1,700 local aids to navigation in ports and harbours and carry out seaward inspections of offshore installations to ensure that the aids conform to the approved standards and are working properly.

Operating facilities

The Board operates from a corporate head office in Edinburgh, an operating base in Oban and two smaller facilities in Shetland and Orkney. The Board also has two ships, a leased helicopter and a small fleet of vehicles with which to help mobilise the team of technicians, engineers and navigation experts to manage, maintain and inspect the network of aids to navigation around the coast.

Physical environment

The Board's area of jurisdiction or operation covers over half the waters and coastline of the United Kingdom together with the majority of offshore and gas installations.

The area contains numerous environmentally sensitive locations (for example, Pentland Firth and the Minches) as well as recognised traffic routes for many ships carrying hazardous or potentially polluting cargoes. The Maritime and Coastguard Agency (MCA) has recognised this by creating a number of Marine Environmental High Risk Areas (MEHRAs) around Scotland and two MCA emergency towing vessels are permanently stationed in Shetland and Stornoway.

Severe weather conditions can be experienced at any time of the year and some of the strongest tidal streams are found in our waters.

Length of coastline	10,000 km/6,214 miles
Land area	77,700 sqkm/30,405 sq miles
Number of islands	790 (130 inhabited)

Economic environment

Funding

The costs of the Board's services are met from the General Lighthouse Fund (GLF). The income to the GLF comes mostly from light dues which are charged on commercial shipping at United Kingdom and Republic of Ireland ports. There is no provision for Exchequer funding except in the Republic of Ireland and in relation to guarantees under the GLAs' borrowing powers. A Letter of Comfort relating to pension liabilities has been provided - see Appendix A. The Secretary of State for Transport has a duty to ensure the effective management of the GLF and enable the adequate provision of aids to navigation at the minimum cost.

Light dues

Belgium also levies charges on shipping for use of its navigational aids, but the sums involved are low by comparison with light dues and presumably this is due to the length of Belgium's coastline. France, Germany and the Netherlands fund their navigational aids from general taxation. Given that UK commercial ports compete for traffic in some sectors with Continental ports in North West Europe and navigational aids outside port limits are generally funded out of general taxation on the Continent, there has been pressure from light dues payers to investigate the view that there could be some distortion of competition between UK and Continental ports as a result of the light dues system.

A report by MDS Transmodal Limited in association with DTZ Pieda Consulting, commissioned by the (UK) Department for Transport, was published in March 2004 following a full review of the economic impact of light dues on shipping traffic in the UK.

The key findings of the report include:

- that abolition of light dues (in favour of funding aids to navigation, etc, through general taxation) would have little impact on the routing of cargo/freight by sea (i.e. the UK would neither gain nor lose business in relation to continental competitor ports)

- that if light dues were abolished and all the reduction in costs for shipping lines were passed on to UK businesses, it would lead to only a 0.003% reduction in their costs.

In the report from W S Atkins in March 2010 (Assessment of the Provision of Marine Aids to Navigation around the United Kingdom & Ireland) they reviewed the methods of funding of aids to navigation around the world. The report said:

"The case studies represent a relatively small sample of maritime states around the world, so any observations drawn are indicative only. However, based on this sample, it is possible to make the following observations:

- even within the small sample there are a wide range of approaches in relation to administrative structure and financing for AtoN provision;
- within the sample there is more emphasis on integrated administration of maritime safety: e.g. Denmark, Canada, France, Spain, although the overall responsibility varies between the Navy (US), Public Works (Spain), Fisheries (Canada);
- the approach to charging users for AtoN varies – from no charges in Denmark to full cost charging in India. In the US the Harbour Maintenance Tax generates a substantial surplus;
- where user charges exist, they are unpopular and there are calls to abolish them;
- the responsibility for 'local' lights varies – in India and Denmark it is similar to the UK;
- in the US, the State is responsible;
- the degree of devolution varies: in Canada and the USA, the Federal Government takes a lead; in Spain, regulation is done at the national level, but provision is regional/local."

The Government remains committed to the present system of recovering costs through light dues but is determined to minimise the cost burden on the shipping industry.

The General Lighthouse Authorities have consistently delivered reductions in the rate of light dues - the rate per tonne has fallen repeatedly since its 1993 peak of 43p and since 1 April 2006 it has remained at 35p. The general economic and financial climate has had two significant effects on the General Lighthouse Fund:

- The downturn in shipping traffic affecting our principal source of income – light dues – that varies by the number and frequency of port calls together with the size of the vessel.
- The reduction in income earned by the Fund’s investments.

After consultation with the GLAs and the Lights Advisory Committee, that represents shipping, ports and cargo interests, the Department for Transport has proposed to increase the light dues rate to generate the necessary additional income in sufficient time to avoid the Fund having to dip into the emergency reserves.

The Department issued a consultation document on 23rd February 2009 inviting comments on the proposed increases. The consultation period ended on 18 May 2009. The shipping and ports sectors do not support the proposed increases at a time of a downturn in shipping and the effect on their own businesses. These points will have been made in formal representations to the Department. However, the GLAs also responded to the consultation explaining the necessity of the first increases since 1993. After considering these representations the Minister decided on the following changes to the light dues tariff:

	Previous	wef 1 July 2009	wef 1 April 2010
Light Dues Rate	35p per nrt	39p per nrt	41p per nrt
Tonnage Cap	35,000 nrt	35,000 nrt	40,000 nrt
Voyage Cap	7	9	9

Objectives

Strategic aim

The aim of the Northern Lighthouse Board is to deliver the 2010-2013 Corporate Plan as agreed with the Department for Transport; this will require the involvement of every Department and the skill and dedication of every member of staff.

Key objectives, for 2010/2011 are.

- To reduce reliance on the General Lighthouse Fund by ensuring rigorous delivery of the Corporate Plan through 2010/2011, restricting Net Expenditure to the reduced target of £23,294,000 or less and without compromising the high levels of Aids to Navigation availability as required by international agreement.
- To implement, in conjunction with the other GLAs through the Joint Strategic Board, the recommendations of the GLA Assessment (the “Atkins Review”).
- To prepare and issue an implementation plan for the 2010 Aids to Navigation Review and complete the works identified to be carried out in 2010/2011.
- To implement, with the other GLAs, a Co-ordinated Fleet Management system.
- To undertake the mid life refit of NLV Pole Star.
- To roll out the full introduction of the “Golden Rules” so as to foster a deeper and more personal understanding of these essential Health and Safety requirements.
- To complete Phase 4 of the AIS AtoN deployment programme by 31 March 2011.
- To complete the re-engineering of all four NLB DGPS sites by the contractually agreed date.
- To plan, prepare and implement the Board’s intentions to replace the Management Information System (currently Concorde XAL).

Key performance indicators

Aids to Navigation availability

Purpose

The key performance indicator used to measure, analyse and monitor the service actually provided to the mariner is 'Aids to Navigation Availability'. This indicator measures the actual availability of AtoNs (eg whether the light is flashing correctly or a buoy is on station) over a 3-year continuous period.

Definition, calculation and targets

The method of measurement and the recognised availability standards are set for each category by the International Association of Aids to Navigation and Lighthouse Authorities (IALA). They are published in the IALA Aids to Navigation Guide (NAVGUIDE – Edition March 2010).

Availability is measured by dividing total time (i.e. the sum of the total number of hours in a year multiplied by the number of Aids to Navigation in each category) into the difference between total time and the number of hours that the Aids were not available to the mariner. This calculation is then expressed as a percentage. Each of the physical Aids to Navigation operated is allocated a category and each category has an availability target:

Category 1 Availability Target 99.8%

An Aid to Navigation that is considered to be of primary navigational significance. It includes the lighted aids to navigation and racons that are considered essential for marking landfalls and primary routes.

Category 2 Availability Target 99.0%

An Aid to Navigation that is considered to be of navigational significance. It includes lighted aids to navigation and racons that mark secondary routes and those used to supplement the marking of primary routes.

Category 3 Availability Target 97.0%

An Aid to Navigation that is considered to be of less navigational significance than Category 1 and 2.

Source of data

The performance data is provided from the monitoring software.

Performance

See Section “Aids to Navigation Availability” on pages 43 and 44.

Changes to data or calculation

There have been no changes to the data or method of calculation.

Running Costs

Purpose

This indicator measures the annual running costs of the Board on a year-to-year basis on a normal cash basis and also adjusted to constant prices by use of the Retail Price Index - All Items.

Definition, calculation and targets

Running Costs are defined as pay and overhead costs, including travel & subsistence and redundancy costs. The costs are measured as “Running Costs” ie the costs actually incurred and “Running Costs at Constant Prices” ie the costs after adjustment for the RPI.

Source of data

The source of the data is Note 5(b) to the Accounts and the Retail Price Index – All Items.

Performance

See Section “Running Costs in cash and constant prices” on page 45.

Changes to data or calculation

There have been no changes to the data or method of calculation.

Current and future developments and performance

Atkins Review

Following a Government Consultation in early 2009 into proposed increases in Light Dues, the Department for Transport (UK) and the Department of Transport (Republic of Ireland) jointly commissioned an Assessment of the provision of marine aids to navigation around the United Kingdom and Ireland. The engineering consultancy firm, W S Atkins, were appointed in September 2009 to conduct this assessment and, after consultation with the Departments, the General Lighthouse Authorities, the Chamber of Shipping and the shipping industry more generally, Atkins published their Report in March 2010. The Report made 52 separate recommendations concentrating on the running of the GLAs, the funding by the General Lighthouse Fund of the Commissioners of Irish Lights and the Light Dues charging regime.

The GLAs are now taking these recommendations forward where it is in their power to do so (several will require action by the Departments) and a first, major step has been taken in the setting up of a Joint Strategic Board, replacing the earlier Joint Consultative Group, which has a responsibility to drive forward greater tri-GLA cooperation and coordination and to release the efficiencies accordingly.

AtoN Review

Throughout the year NLB, in conjunction with TH and CIL, has been undertaking a comprehensive review of its AtoN provision. Undertaken on a 5 yearly basis this review for the first time has included a quantitative element with AIS traffic analysis allowing a thorough assessment of traffic patterns around our shores. Consultation with stakeholders has allowed an understanding of traffic not captured by AIS (non SOLAS vessels) and allowed proposed changes to AtoN to be considered at a local level before final decisions were made. For the first time formal risk assessment has been used to inform the decision making process. The safety of the mariner remains at the forefront of the process but changes in technology and better understanding of traffic patterns have allowed potential reductions in operating costs to be delivered. The review was published on 12 May 2010.

Head Office Review

The Assessment of the provision of marine aids to navigation by W S Atkins, supported the NLB’s position that continued occupancy of its Head Office in George Street, Edinburgh, is the best approach to its accommodation requirements in the current economic climate. It recommended that NLB should seek to maximise the cost effectiveness of this position while continuing to consider options for alternative suitable, lower cost accommodation in the medium term. This echoes the work carried out by the Board when assessing the future of the George Street occupancy which determined, as recognised by the Assessment, that continued occupancy presented the most cost effective alternative, at least for the time being.

The first phase of the George Street Refurbishment Project (a feasibility study) was completed in early 2009, but further work was suspended while the Assessment was underway. Consideration of the Architectural advice following the first phase will now re-commence, but an emphasis will be placed upon a lower level of building refurbishment.

E Navigation

The NLB has continued to contribute to the development of eNavigation through involvement with the UK eNavigation steering group and IALA both of which feed into IMO. The key building blocks of GNSS backup, secure and reliable communications, and secure and reliable charting and chart displays are developing but universal carriage remains some way in the future. NLB with its partner GLAs are contributing with the first of these building blocks through the pan European trial of eLoran. Whilst eNavigation could cause a substantial change in the AtoN requirements around the Scottish coast this may remain some years away. NLB will continue to adjust our provision through successive AtoN reviews as the transition occurs.

Commercial Work

The year 2009/10, in line with the global economic recession, saw a downturn in commercial work. Income fell to its 08/09 levels with no ship hire which is the biggest potential income stream available to the NLB. Charter rates were well below operating costs excluded the NLB from competing in a very tight market. Core work in contract buoyage, interim AtoN rental, rigwatcher provision and monitoring and hire of the berth at Oban remained strong areas of business which fit well around our statutory duties. Work has continued to market the potential of the Board with a number of potential opportunities being developed which are hoped will come to fruition in 2010/11.

Automatic Identification System (AIS)

The development of AIS as an Aton is progressing at a steady pace. NLB approach has been to roll out small tranches of AIS units as the technology proves itself making the programme affordable. In the last 12 months 6 units were deployed on buoys bringing the total AIS AtoN in NLB waters to 21. In the early stages of the program it envisaged that Met equipment would be established on most AIS AtoN buoys. Technical problems, cost and limited numbers of users who can read the Met data mean that this has been curtailed.

Capital Investment

As part of the Board's business planning process a long-term capital investment programme is prepared. The main element of the programme is capital investment in the lighthouse estate where individual projects are included based on the navigation and engineering importance of the project. Other elements of the plan cover investment on buoyage, ships, plant & equipment and vehicles. All projects included in the plan are assessed on, strategic impact, economic rationale, financial affordability and achievability.

Trading Company and Heritage Trust

The Board has discussed with the Department for Transport the establishment of a trading subsidiary and a heritage trust.

This will ensure that:

- The Board is responsible solely for its statutory duties under the Merchant Shipping Act 1995, as amended
- The Trading Company will be able to exploit tangible and intangible assets owned by the Board
- The Heritage Trust will be able to safeguard lighthouse heritage.

The Heritage Trust has now been incorporated on 18 September 2009 and registered as a charity on 24 September 2009 with the Office of the Scottish Charity Regulator. The Heritage Trust's aim is to take ownership of and responsibility for the heritage assets (other than heritable property) owned by the Commissioners and to conserve those assets of most relevance to the history and heritage of the Northern Lighthouse Board. Assets of less significance will be sold and the income from the proceeds will be devoted to the conservation of remaining assets and the promotion of the wider objects of the company. These will include education, raising awareness and the promotion of research about the work and history of the General Lighthouse Authorities. The Heritage Trust will be able to develop relationships with other heritage organisations to display these artefacts for the benefit of the public and to enter into other projects to secure and protect lighthouse heritage.

The Trading Company will therefore take over existing trading activities of NLB i.e. nine holiday cottages and exploit the NLB brand by selling lighthouse-related through

The Trading Company will be wholly owned by the Commissioners of Northern Lighthouses which is a corporate body in its own right. NLB as sole shareholder will control the affairs of the Trading Company albeit that the day-to-day management of the Trading Company will be the responsibility of the Directors. NLB will lease surplus, non-operational property to the Trading Company at peppercorn rents and assign the right to use NLB's European Community Registered Trade Marks.

The Trading Company's business will be to:

- develop the leased property and earn income through its holiday letting or other potential
- exploit the NLB brand by selling lighthouse-related items

Draft Marine Navigation Bill

The Queen's Speech on 6 November 2007 announced the Government's intention to introduce a Draft Marine Navigation and Port Security Bill. The re-titled Draft Marine Navigation Bill was published for consultation on 6 May 2006. The consultation ended on 25 July 2008. The House of Commons Transport Committee has scrutinised the draft Bill and provided a report before the Summer Recess on 22 July 2008. Included in this draft Bill are extended powers over pension provision for the GLAs and commercial work, changes to the GLAs area of jurisdiction and wreck powers and new enforcement powers against local lighthouse authorities. The Government did not include the draft Bill in its current legislative programme but commented that "this bill will be brought forward as soon as the Parliamentary time allows". The GLAs remain hopeful that the Bill, that would also implement the Nairobi International Convention on the Removal of Wrecks 2007, will get the required Parliamentary time.

International Representation

NLB's close and influential involvement with the International Association and Marine Aids to Navigation and Lighthouse Authorities (IALA) has been given more focus by the election of NLB's Director of Operations to the Chair of the important Aids to Navigation Management Committee. NLB staff continue also to be leading, or to be closely involved in, work on AIS, eNavigation and lighthouse preservation. At the 17th Conference of the International Association Marine Aids to Navigation and Lighthouse Authorities Conference in Cape Town in March 2010, it was agreed that countries that have more than one Lighthouse Authority will be offered the opportunity for those Authorities to be present as Observers at meetings of the IALA Council. This change, which has been driven by NLB, closes the situation where, of the three GLAs, only NLB was unable to participate at Council.

Accreditations and Awards

NLB continues to be accredited to ISO 9001, OHSAS 15001, ISO 27001 and ISM. Work is also in hand to be accredited to ISO 14001 (Environmental Policy), but this has been delayed as a savings measure. NLB has now achieved the Silver Award from Healthy Working Lives (Scotland) following success at the Bronze Award of the then Scotland's Health at Work last year.

DGPS Re-engineering

A contractor has been appointed for the re-engineering of the tri-GLA DGPS System on a joint basis with the Commissioners of Irish Lights and Trinity House. This work will address existing system equipment obsolescence and technical upgrades that are now required to meet the ongoing service provision goals. It involves work on the NLB DGPS sites at the lighthouses at Sumburgh Head (Shetland), Butt of Lewis (Western Isles) and Girdle Ness (East Coast of Scotland) as well as the central Scotland site at Earls Hill (Stirling), that is a multi-user transmitter site. As the system design development by the contractor is progressed, minor preparatory work will be ongoing at the sites to receive the new outstation equipment.

Resources

Ships

NLV Pharos continues to be a safe, reliable and effective vessel. As well as undertaking support of engineering project and maintenance work throughout the year Pharos also has been engaged in statutory and commercial buoy work, local light authority inspection and off-shore installation inspection. The vessel has proved particularly suited for ODAS buoy handling which the GLAs undertake for the UK Met office. The vessel drydocked towards the end of the year for routine maintenance and survey.

NLV Pole Star, throughout the year, have operated safely, effectively and efficiently undertaking the majority of the Board's statutory and commercial buoy work as well as inspection of third party AtoN. With the Fleet review recommending a modest mid life upgrade, planning commenced towards the end of the year to deal with the high levels of noise in parts of the accommodation which occur during vessel working.

Bases

The Oban support base is a key resource in the activities of the NLB. The base is run by a small well trained, multi skilled flexible workforce. More than just a buoy yard, the base provides for; preparation of helicopter loads both of NLB and contractor materials and equipment, NLB principal stores of spares and consumable items, as well as a safe and secure berth for NLB vessels. Engineering Area maintenance staff for the west coast and the engineering support and testing facility also operate from the base. The Base is a key source of income from a full cruise vessel program, field support of interim AtoN and rigwatcher units, and overhaul of third party AtoN.

People

2009/10 was a year of uncertainty for NLB's people. The year started with the Government's Consultation into the proposed Light Dues increases, followed by the Assessment of the Provision of Aids to Navigation (the Atkins Review). Both of these engendered a mixture of concern and confusion as to the future of the NLB and as to the value of the work that it carries out. Publication of the Atkins Review, while requiring considerable work to move the GLAs ahead as described above, has allayed some of these concerns. The restructuring of the pay system for Shore Staff entered its second year (of three) of realisation, but Departmental approval of the overall pay package was not forthcoming until November and this added to staff concerns.

Disabled employees

The policy of the Board towards the employment of disabled people is that a disability is no bar to recruitment or advancement. However, the nature of the duties at lighthouses and ships impose some limitations on the employment of disabled staff. When dealing with employee absence, compliance with the Disability Discrimination Act is ensured by always seeking expert advice through our Occupational Health Service.

Equal opportunities

The Board is an equal opportunity employer and at every stage of recruitment, staff transfer and promotion, carefully ensures that the selection processes used in no way give any preference on the basis of gender, age, race, disability, sexual orientation or religion.

Employee involvement

The Board is committed to effective communications, which it maintains through formal and informal briefings, the Board's magazine ('The Journal'), newsletters and electronic media, including its Intranet service.

Consultation with employees is undertaken through the recognised Trade Unions and various committees which cover all staff. The Chief Executive also chairs a Staff Council which meets four times a year.

Employees are informed of matters of concern to them; they are consulted frequently and regularly so that account may be taken of their interests. In February 1998 the Board undertook its first Staff Attitude Survey and the results from this, and the subsequent surveys, are used as a key part of the consultation process. In 2009/2010, as in previous years, the Chief Executive held general staff meetings to develop items for incorporation in the Board's strategic objectives and to ensure openness and accountability.

Human Resources Policies

The Human Resources section continues to review and create HR policies which both ensure compliance with employment law along with supporting managers and staff in dealing with people issues. During this year new and revised policies have been implemented including absence, recruitment and selection, equality and diversity, family care and performance management.

Health and Safety

Throughout the years the Board has continually developed, implemented and maintained Safety Management Systems covering all areas of the Board's activities. These systems meet the requirements of the OHSAS 18001:2007 Standard and the International Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM) thus ensuring compliance with relevant statutory obligations. These systems are continually maintained and monitored for compliance and improvement via a dedicated QHSE team.

Research and Development

Regular inter-GLA contact ensures that industry best practice is adopted, where at all possible, thus enabling the Board to meet its obligations with proportionate, cost effective and pragmatic management controls.

Research and Development is conducted for all three GLAs by the Research and Radionavigation Directorate (R&RNAV) based at Harwich. The Director of R&RNAV is funded by the General Lighthouse Authorities and reports to all three Chief Executives. While R&RNAV continues to concentrate on a wide field of research and to provide advisory and technical services to the individual GLAs, much effort has been given to the promotion of enhanced Loran (eLoran). Despite some uncertainty in the USA over funding, the tide seems to be strongly in favour of eLoran. The GLAs see this as a vitally important terrestrial complement to GNSS and which, in 2020 The Vision, is seen as a significant enabler in reducing the number of traditional Aids to Navigation.

Principal risks and uncertainties

As part of the joint GLA risk management review each of the individual GLA risk registers have been analysed having regard to current best practice to produce 12 risks, which are considered to pose the greatest threat to the GLAs and their stakeholders including the GLF. In this context their stakeholders are seen as:

- the mariner and shipowner
- their staff
- suppliers and customers
- Government / GLF
- society as a whole
- the environment

In compiling the document it was noted that certain other risks would have a significant impact on the GLAs but posed a lesser threat to the GLF – for example a change in Government policy regarding responsibility for the operation of the three Lighthouse Services. It was considered that the GLAs had a duty to challenge any such action, if it were not in the short or long term interest of the mariner. It was also noted that in the event that the GLF were wound up, there would be a pension liability estimated by independent actuarial valuation to be £408M as at 31 March 2010 on an accrued benefit valuation cash equivalent basis, comprising prospective benefits due to active members, deferred pensioners and pensioners. However, since the last Review the GLAs had received a letter of comfort from the UK Secretary of State to the effect that in the event of there being insufficient money available in the GLF to meet the GLAs' pension liabilities, the UK Parliament would be asked to meet any shortfall. Pension contributions, which total £44M, have however not been formally ring-fenced from operating costs and as such there is a danger that they could be used to meet any large unforeseen expenditure. Although not fully satisfactory, a declaration of contingent pension liabilities is made to Parliament each year and a note acknowledging the liabilities added to the GLF Accounts. On this basis it was considered that pension liabilities, whilst substantial, did not at present represent a significant risk but that the matter should be kept under review, particularly as new GLA employees were now required to pay a pension contribution of 3.5% of their salary.

The risks were grouped in accordance with the UK Risk Management Standard under the four headings of 'Strategic', 'Financial', 'Operational' and 'Hazard', together with the control measures in place to mitigate their effects, following also HM Treasury document 'Management of Risk – A Strategic Overview' known as the 'Orange Book'. More general risk protections and controls are summarised at Annex II of the 'Orange Book'.

Strategic Risks

Pension Funding

Long Term Funding of "pay-as-you-go" pension arrangements.

Financial Risks

Resourcing

Reduction in resources for running Lighthouse Services (through pressure on Government from ship owners, review of funding arrangements, change in public spending policy, dock strike, breakdown in light dues system or similar).

Operational Risks

AtoN Provision

Failure to provide or adequately maintain an aid to navigation with the appropriate characteristics and/or in the correct location. Failure of monitoring staff to react appropriately. Failure to inspect inoperative or incorrectly operating aids to navigation, whether maintained by the GLAs, local ports or offshore industry.

Operational Staffing

Inability to recruit/retain suitable staff; industrial action taken by staff.

Information Technology

Major IT System failure. Unavailability of data. Loss of data/corruption of data. Inappropriate use of Internet/Email (Including loss through viruses or hacking).

Corporate Governance & Financial Control

Inadequate or improper financial and other controls including fraud and improper practice.

Legislation

Non-compliance with legislation or public policy.

Exploitation of Spare Capacity

Non-compliance with contractual obligations including those arising from core or commercial activities. (Also a hazard risk)

Technological Change

Failure to review and adapt or inadequately to implement changes in technology (Also a strategic and hazard risk).

Hazard Risks

Natural Events

Natural Events leading to wide scale disruption.

Health, Safety & the Environment

Failure to secure the health and safety of employees and third parties.

Accidental damage to the environment, lighthouse or contract helicopter (Temporarily or permanently).

Wreck Marking

Requirement to disperse a wreck where the costs cannot be recovered from the owner at the time.

(Also an operational risk)

Relationships

Department for Transport

The General Lighthouse Fund is administered by the Department for Transport who sponsor the three General Lighthouse Authorities.

The relationship between the Board and the Department for Transport is set out in a Framework Document.

Scottish Government

The work of the Board is a reserved matter under Section 30 of and Schedule 5 to the Scotland Act 1998. However, the Board maintains a close relationship with the Scottish Government as does the Department for Transport under the terms of a concordat. Responsibility for matters relating to Section 34 of the Coast Protection Act 1949 has been devolved to the Scottish Government and the Board are consulted and advise the Scottish Government on these applications.

Isle of Man Government

The work of the Board also covers the Isle of Man and as a result the Board has a relationship on aids to navigation matters with the Department of Transport of the Isle of Man Government

Inter-General Lighthouse Authority co-operation

The Corporation of Trinity House (England, Wales, Channel Islands and Gibraltar), the Commissioners of Northern Lighthouses (Scotland and the Isle of Man) and the Commissioners of Irish Lights (the whole of Ireland) are the General Lighthouse Authorities (GLAs) for the British Isles.

A Joint Co-ordinating Group (JCG) of the Chairmen and Chief Executives of the GLAs was established in 1992 to review high level policy matters including those which concern the relationships between the GLAs and the UK Department for Transport and the Irish Department of Transport. The JCG is the major decision-making body on inter-GLA co-operation and the coordination of common policies. It keeps under constant review the GLAs' joint strategy on matters of mutual interest so that they can agree joint or complementary policies relating to the management of the GLAs subject to approval and consideration by each GLA Board. Following the Atkins Review, the JCG was replaced in April 2010 by a Joint Strategic Board to drive the benefits of a truly integrated system of AtoN provision across the three GLAs.

User consultation

The Joint User Consultative Group (JUCG) was formed in 1988 comprising representatives of the three GLAs and the users of their services to enable a mutual exchange of information on major policy matters of common concern within the field of aids to navigation. The JUCG assists in advising the Secretary of State for Transport on the changing requirements of marine aids to navigation. The NLB holds a Scottish Users' Consultation Group meeting in November each year to exchange views and information with our Scottish and Manx customers.

Financial position

Source of finance

The Board is financed by advances made by the Department for Transport from the General Lighthouse Fund whose principal income is from Light Dues levied on shipping using ports in the British Isles. These advances, based on the annual cash requirements of the Board, finance both Revenue and Capital Expenditure and are credited as Income in the Accounts of the Board.

In addition, the Board has sundry receipts in the form of buoy maintenance, external contract, use of the berth at NLB Oban, work and property rents together with the proceeds from the sale of assets becoming surplus to requirements. All proceeds are transferred to the General Lighthouse Fund.

Capital structure

In order to comply with the requirements at the time of Financial Reporting Standard 17 (FRS17) a pension liability was created and the Pension Reserve was written back to the Accumulated Reserve. This was implemented in 2003/2004.

A Government Grant Reserve has been created with grant receipts for capital projects.

Going Concern

The Commissioners' business activities, together with the factors likely to affect its future development and position, are set out in the Management Commentary section of the Commissioners' report on pages 21 and 24.

The Commissioners are expecting to continue to draw down funds from the General Lighthouse Fund in line with spending plans agreed with the Department for Transport.

The Commissioners, together with the other General Lighthouse Authorities, are involved in regular discussions with the Department for Transport and the Lights Advisory Committee (representing ships and ports industries) on spending plans, the General Lighthouse Fund and the light dues rates charged on commercial shipping using UK and Irish ports. The Commissioners have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the General Lighthouse Fund to continue as a going concern and to fund the Commissioners' activities.

The Commissioners have particularly noted:

- Because of its powers and duties under public law, the Board assumes responsibility for positive discharge of the United Kingdom Government's obligations under the Safety of Life at Sea Convention 1974 (Chapter V, Regulation 14) for the provision and maintenance of aids to navigation within its area of jurisdiction.
- The undertaking given by the Secretary of State that light dues rates will be set at a rate to ensure sufficient income is generated to meet pension liabilities as they fall due.
- The Letter of Comfort provided by the Secretary of State giving an assurance that in the event of insufficient funds being available in the General Lighthouse Fund to meet pension payments as they fall due then the Department for Transport will request funds from Parliament.
- The undertaking provided by the Secretary of State to Lombard Business Leasing Limited and Williams & Glyn's Leasing Company Limited that the funds will be provided to the Commissioners to meet the bi-annual lease payments for NLV Pole Star and NLV Pharos as they fall due.

On the basis of their assessment of the Board's financial position and of the enquiries made of the Department for Transport, the Commissioners have a reasonable expectation that the Northern Lighthouse Board will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Pension Liability

There is a substantial deficit on the Board's pension scheme and this is reflected in the Accounts. The total liability, which was recognised on the Statement of Financial Position for the first time in 2003/2004 amounts to £89M as at 31 March 2010 - see Note 17 Pension Liabilities. As noted in the Accounts the Department for Transport will seek to ensure that annual revenue into the General Lighthouse Fund will be sufficient to meet pension liabilities as they fall due. The liability is also covered by a letter of comfort from the Department for Transport. This letter of comfort is very valuable and could reasonably be considered to provide the security to the members of the Scheme that assets held separately to specifically meet pension benefits would give. In fact, it goes further than this as it effectively also underwrites the investment and life expectancy risks associated with funded pension schemes. However, this guarantee is only a backstop position and there is a clear expectation that the liability will be discharged from the General Lighthouse Fund.

The Board is very concerned with the increasing pension liability position and it has, together with the other GLAs and the Department for Transport, addressed a number of issues –

1. Legal advice has confirmed that part of the General Lighthouse Fund, including any contributions paid by members, cannot be protected from general liabilities to provide pension benefits. At 31 March 2009 the actuaries estimate that contributions made by scheme members of £44M are held within the General Lighthouse Fund and are therefore unprotected. The Board, as an employer, finds this position unacceptable although it understands the restriction is due to primary legislation.

2. The actuaries were commissioned to complete a long-term cash flow projection of pension costs. The results of this study have been used to inform the long-term cash forecasts for the General Lighthouse Fund.
3. A study is underway to consider the establishment of a new funded pension scheme that would be open to new entrants. This would have the benefit of transferring the pension liability over time from the General Lighthouse Fund to a separately managed pension fund.
4. Reviewing areas for potential changes to primary legislation to meet the changing needs in the best interests of employees and the General Lighthouse Fund.

Operating Results

The results for the year to 31 March 2010 are contained in the attached Accounts and Notes and show a deficit (including Depreciation) on Revenue Account transferred to the Accumulated Reserve.

	2009/10 £000	2008/09 £000
Operating Deficit	-2,589	-4,940

For 2009/2010 the Board's performance against the Cash Limits set by the Department for Transport is summarised as follows:

	Cash Limits £000	Actual Expenditure £000	Variance £000
Running costs	14,489	14,372	-117
Expenditure on behalf of all GLAs	49	35	-14
Other costs	5,255	5855	600
Capital expenditure	4,207	2,235	-1,972
TOTAL	24,000	22,497	-1,503

The actual expenditure calculated against these Cash limits is reconciled with the Accounts, prepared on an “accruals” basis, as follows:

	£000
Total expenditure on Net Expenditure Account	19,860
Adjustments to reconcile with Running Costs	
Expenditure on behalf of all three GLAs	-35
Loss on Sale of Fixed Assets	-26
Pension costs	-1,592
Depreciation	-3,724
Amortisation	-110
Running Costs in Management Accounts	14,373

Expenditure on Property, Plant and Equipment

During the year to 31 March 2010 the Board’s expenditure on tangible fixed assets was :-

	2009/10	2008/09
	£000	£000
Land	0	3
Buildings	369	445
Dwellings	0	0
Ancillary craft	0	0
Tenders	215	232
Buoys	71	27
Information Technology	29	36
Plant & Machinery	552	765
Furniture and Fittings	0	0
Payments on Account & Assets under Construction	866	1,298
	2,102	2,806

The Accounts Direction provides that fixed assets shall be stated at historic cost less depreciation. During 2009/2010 the Board obtained independent valuations for the Headquarters building and the operating base at Oban. These valuations were completed by Graham and Sibbald, Chartered Surveyors.

The differences between the open market value and the net book value are as follows:

	Market Value	Net Book Value	Difference
	£000	£000	£000
NLB Edinburgh	3,295	247	3,047
NLB Oban	890	3,460	-2,570

Former Lightkeepers’ houses that are retained as holiday cottages are treated as investment properties for the purposes of International Accounting Standard 40 (IAS 40) and are included in the Accounts at Open Market Valuation.

Cash position and liquidity

Cash funding through the GLF Imprest System

The Board relies primarily on advances from the General Lighthouse Fund for its cash requirements and is therefore not exposed to significant liquidity risks although it is dependent on the liquidity of the General Lighthouse Fund.

	2009/10 £000	2008/09 £000
Cash withdrawn from the General Lighthouse Fund	21,875	21,455

Finance Leasing Arrangements

There is exposure on the finance leases for the ships to a change in the main rate of Corporation Tax. During the setting up of the finance lease for NLV Pole Star, the Board evaluated the option of eliminating this exposure. However, it was found that the financial risks were not significant. This option was not used for the lease for NLV Pharos.

Post Statement of Financial Position Events

At its meeting on 6 September 2010 the Managing Board decided that it would not proceed with the setting up of a Trading Company to exploit tangible and intangible assets owned by the Board (see pages 27 and 28).

Payment of creditors' policy

The Board seeks to adopt the conventions within the British Standard BS 7890, 'Method for achieving good payment performance in commercial transactions' which are reflected within the Board's internal practices.

Payment of all creditors, accounts are arranged by the date stipulated within the contract or other agreed terms of credit. Exceptions to this are as follows:

1. Payment within a shorter timescale where a discount may be available;

2. Where there is a genuine dispute in respect of the invoice concerned. In all such cases the supplier is immediately informed of the details of the query and that the payment will be withheld pending resolution.

Suppliers are informed of our policy via a supplementary notice within contracts and are asked to provide any comments on this issue to the Commercial Manager.

The proportion which the amount owed to trade creditors at 31 March 2010 bears to the amount invoiced by suppliers during the year equated to a 20 days proportion of 365 days.

Audit

The accounting records of the Commissioners of Northern Lighthouses are examined by the UK Comptroller and Auditor General prior to consolidation in the accounts of the General Lighthouse Fund. The General Lighthouse Fund Accounts are formally certified by the UK Comptroller and Auditor General under the terms of Section 211 of the Merchant Shipping Act 1995 and Section 3 of the Exchequer and Audit Departments Act 1921, as amended by the National Audit Act 1983. There is no provision for a separate audit certificate to be appended to these accounts.

Remuneration Report

Composition

The Board's Remuneration Committee is made up of four Commissioners who have no personal financial interest, other than as Commissioners, in the matters to be decided, no potential conflicts of interest arising from cross-directorships, and no day-to-day involvement in running the Northern Lighthouse Board other than as members of the Board of Commissioners and the Managing Board.

The Committee consults the Chief Executive about its proposals, other than in relation to his own remuneration, and has access to professional advice from inside and outside the Board.

Arrangements are in place for the Remuneration Committee to ask for and receive legal advice from the Board's solicitor. The Committee has used external advice to provide comparison pay information and to recommend new structures.

Background

The remuneration of the Chief Executive and Directors is determined by the Remuneration Committee now consisting of the Chairman and Vice Chairman of the Board and two other Commissioners, under powers delegated by the Board of Commissioners.

The current pay structure was implemented with effect from 1 April 2004 following a review by a firm of external consultants. The new structure was agreed by the Department for Transport.

General

The creation of long-term effectiveness depends on the talents, contribution and commitment of the Chief Executive and Directors (the "executive directors"); so the Board must be able to attract and retain people of high quality. It is essential that the remuneration structure should be competitive with those of comparable organisations.

Pay Approach

The remuneration of Executive Directors was recalibrated in 2004 in the light of consultant advice against the following criteria:

- job weight
- market pay comparisons
- performance

All Directors have a base pensionable salary which is annually reviewed, and in addition can earn a non pensionable and non-consolidated performance bonus paid retrospectively in the light of performance in the previous year, as measured against objectives set by the Remuneration Committee.

These objectives reflect both the corporate objectives agreed by the Board for NLB as a whole and the personal contribution which can be made by each Director.

Executive Directors' Pensions

The Executive Directors are members of the Northern Lighthouse Board Pension Scheme which is an unfunded defined benefit scheme. Notes 5 and 6 of the table show the cash equivalent transfer value (CETV) of the director's pension benefits accrued at the beginning and the end of the reporting period. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service in the Northern Lighthouse Board Pension Scheme, not just their current appointment. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Note 7 reflects the real increase in the value of the CETV. It takes account of the increase in accrued pension due to inflation and contributions paid by the director and is calculated using common market valuation factors for the start and end of the period.

	Roger Lockwood	Douglas Gorman	Moray Waddell	Phillip Day
£000 Note 1 Salary including performance pay	95-100	80-85	80-85	80-85
£000 Note 2 Benefits in kind	-	-	-	-
£000 Note 3 Real increase in pension and related lump sum from 31 March 2009	0-2.5	0-2.5/2.5-5.0	0-2.5/0-2.5	2.5-5.0
£000 Note 4 Total accrued pension at 31 March 2010 and related lump sum	5-10	15-20/45-50	25-30/50-55	15-20
£000 Note 5 Cash Equivalent transfer value at 31 March 2009	81*	299	350*	122
£000 Note 6 Cash Equivalent Transfer value at 31 March 2010	117	349	396	156
£000 Note 7 Real increase in Cash Equivalent Transfer Value after adjustment for inflation and changes in market investment factors	28	26	20	24
Note 8 Employer contribution to partnership pension account including risk benefits cover	-	-	-	-

Service Agreements

Each of the Executive Directors has a Service Agreement which can be terminated either by reaching the defined retirement age or by either the Board serving twelve months' notice or the Executive Director serving six months' notice.

Remuneration of Commissioners

Commissioners:

1. elected by the Board under, and subject to, the proviso set forth in Paragraphs 2 and 3 of Schedule 8 to the Merchant Shipping Act 1995 (the "Co-opted Commissioners"); or
2. nominated by the Lieutenant-Governor of the Isle of Man and appointed by the Secretary of State;

Commissioners are paid a basic remuneration per annum and with the exception of the Chairman and Vice Chairman are eligible for an additional daily payment for each day exceeding 20 days in the year

	£
Basic annual remuneration	9,804
Additional daily payment	490
Chairman's remuneration	19,608
Vice Chairman's remuneration	13,068
Total amount paid in 2009/10 including National Insurance Contributions	73,021
Total amount paid in 2008/09 including National Insurance Contributions	76,955

Co-opted Commissioners' remuneration is set by the Board as a whole on the advice of the Department for Transport who approved an increase of 2.5% with effect from 1 April 2009.

Co-opted Commissioners are appointed for three years but may be re-appointed for further terms up to a normal limit of 10 years.

Ex-Officio Commissioners hold office for the duration of their qualifying office.

The Chairman of the Northern Lighthouse Board in 2009/2010 was a co-opted Commissioner and was therefore paid. However, the Vice-Chairman was an Ex-Officio Commissioner and was unpaid.

Commissioners are not members of the Northern Lighthouse Pension Scheme and are not entitled to receive compensation for loss of office. Commissioners are entitled to reclaim travel and subsistence costs at the same rates and under the same regulations that apply to employees.

The remuneration of the Commissioners is analysed as follows:

	2009/10	2008/09
	£	£
Mike Close	9,804	7,281
John Ross	9,804	4,854
Robert Quayle	9,804	9,708
Captain George Sutherland (to 31 July 2009)	3,268	19,416
Alistair Whyte	9,804	9,708
Sir Andrew Cubie	19,608	12,948
Captain Kenneth MacLeod (to 24 July 2008)	0	3,053
Peter Mackay CB (to 6 October 2008)	0	5,036
Alistair Mackenzie (from 1 August 2009)	6,536	0

* The accrued pensions have been restated in accordance with the Civil Service Pensions calculator for Non Club Transfers. M Waddell was £352K restated to £350K, R Lockwood was £83 restated to £81K.

Scope of Responsibilities

As Chief Executive from 1 May 2006, I have held responsibility for maintaining a sound system of internal control that supports the achievement of the Northern Lighthouse Board's policies, aims and objectives whilst safeguarding the public funds and assets for which the Chief Executive is personally responsible, in accordance with the responsibilities assigned in Managing Public Money.

As Chief Executive I also have the responsibility to act as the Accounting Officer for the Northern Lighthouse Board. The Accounting Officer for the General Lighthouse Fund has delegated Accounting Officer responsibility to me in a letter dated 4th February 2010. I understand that the Accounting Officer for the General Lighthouse Fund will rely on my statement on internal control in preparing the Statement of Internal Control for the General Lighthouse Fund. I have also been given accounting responsibilities by the Board of Commissioners as they discharge their responsibilities under the Merchant Shipping Act 1995.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Northern Lighthouse Board for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The risk management process is led by the Board of Commissioners. The Board has approved a process for the identification, assessment and management of key business risks.

Capacity to handle risk

The three General Lighthouse Authorities conduct a triennial risk review. This review and the resulting recommendations and actions are discussed with key stakeholders through the Lighthouse Finance Committee. The review includes an assessment by external risk management consultants.

The process involves a timetable for the committees of the Board and the Chief Executive and Directors to review and update the assessment of these business risks throughout the year and then to report to the Board on these reviews. At each meeting of the Directors' Group one of the 12 Business Risks is reviewed. All 12 Business Risks are reviewed in a Financial Year. The outcome of these reviews are documented and changes are made to the risk assessment. The Audit & Risk Committee meet four times a year and at each meeting it considers all the reviews completed by the Directors' Group since its last meeting. Progress on implementing the recommendations is monitored by the Audit and Risk Committee.

The risk and control framework

The risk management framework consists of identified risks, the consequence to the Board if the risk materialises and the control measures in place. It also includes a risk rating of the risk materialising if controls were not in place and a second rating based on controls being fully functioning. The responsibility for each identified risk is allocated to a Director or senior manager. Personal objectives are agreed to ensure that the risks are regularly reviewed throughout the year. The Audit and Risk Committee also invites managers to discuss risk management issues at committee meetings.

Data Handling

During the year we continued to address a number of initiatives to address the various issues that emerged from the number of high profile cases of data losses by Government Departments. We conducted a review in 2008/2009 of these areas to identify any major gaps and these were addressed. We then used the document "Handling Information Risk" as our action plan and assessed where we stood and what, if anything, needed to be done against each category. The immediate actions were:

- revised information security policy
- keeping the Board's Audit & Risk Committee and Head of Internal Audit up-to-date with developments revising the Board's Risk Register to include data handling risks
- refreshed instructions to staff on sending data out
- continuing accreditation to ISO 27001 (Information Security Management)

Review of effectiveness

In his annual report the Head of Internal Audit said "I can provide substantial assurance that the Northern Lighthouse Board's established risk management, control and governance arrangements are operating in a generally effective manner".

As Chief Executive I have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of the internal auditors and the executive managers within the Northern Lighthouse Board who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Commissioners, the Managing Board and the Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

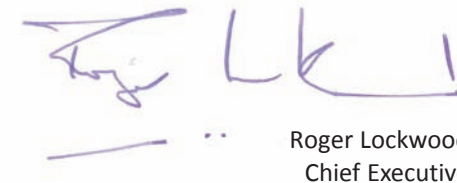
The key processes in place are:

- the Board decides policy and provides the strategic direction for the Northern Lighthouse Board;
- a Managing Board to review progress on the achievement of aims and objectives and to maintain operational efficiency;
- periodic reports from the Chairman of the Audit and Risk Committee to the Board, concerning internal control;

- regular reports by the Head of Internal Audit, to standards defined in the Government Internal Audit Standards, giving independent opinion on the adequacy and effectiveness of the systems of internal control together with recommendations for improvement;
- regular reviews of compliance with the Framework Document for the General Lighthouse Authorities - last revised July 2008 - that governs the relationship between the Department for Transport and the General Lighthouse Authorities. The results of these reviews are reported to the Audit & Risk Committee;
- a separate statement within the Head of Internal Audit's annual report giving his opinion on the effectiveness of the internal control process; this report, which is reviewed by the Audit and Risk Committee, then forms the basis for a review of Internal Control by the Board;
- regular reviews of the 12 Business Risks at the Directors' Group meetings;
- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- an annual review of significant business risks undertaken by each Director detailing how those risks are managed;
- compliance with the applicable best practice principles set out in HM Treasury's July 2005 Code of Good Practice for Corporate Governance.

Significant internal control problems

There have been no significant internal control problems in the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.



Roger Lockwood
Chief Executive

Three year rolling averages

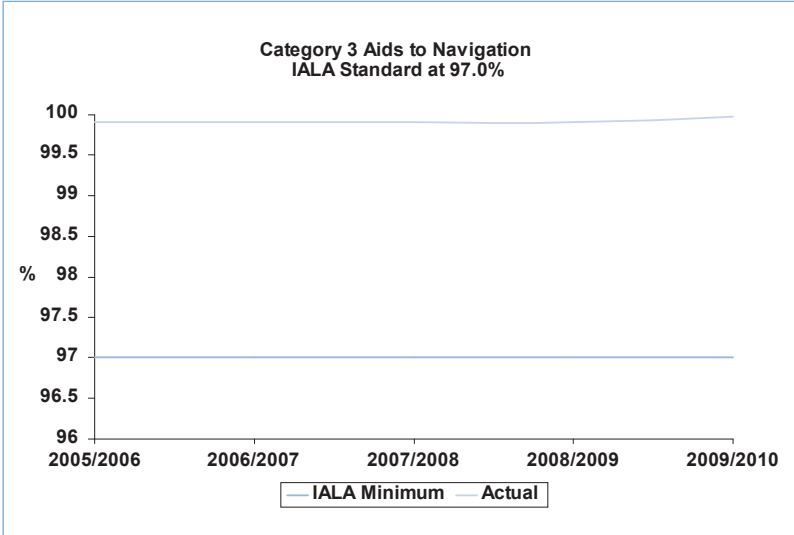
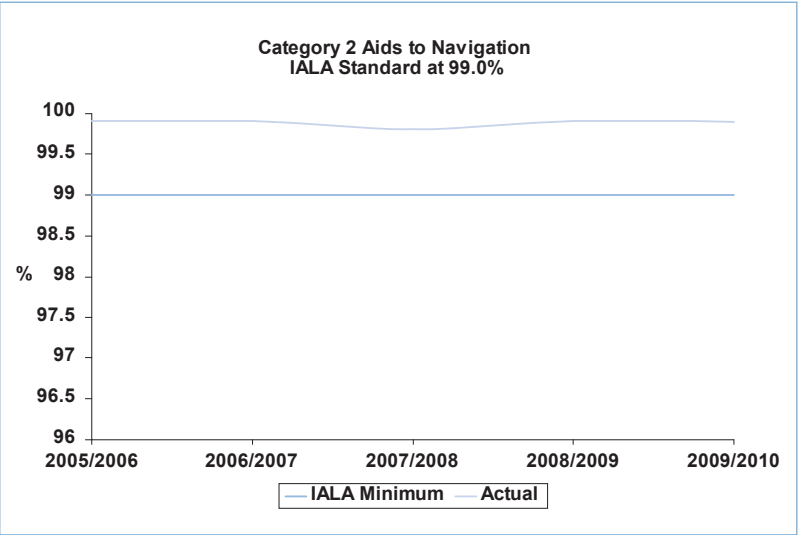
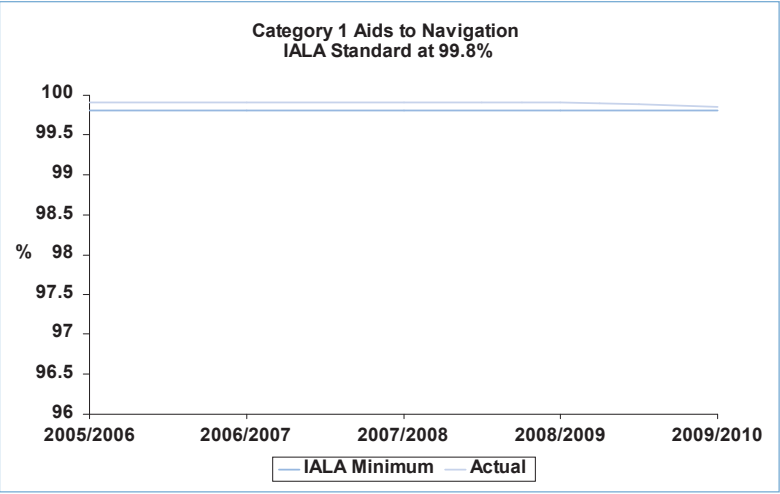
In the past, the GLAs have reported Availability statistics using headings not strictly in accordance with current accepted guidance.

Since the three authorities have now adopted the guidance issued in the International Association of Marine Aids to Navigation and Lighthouse Authorities' (IALA) document "Aids to Navigation Guide", these headings have been changed. In particular, they reflect the changes to availability targets being set for individual aids in accordance with each one's navigational importance.

There are three categories of navigational importance and their availability targets are as follows:

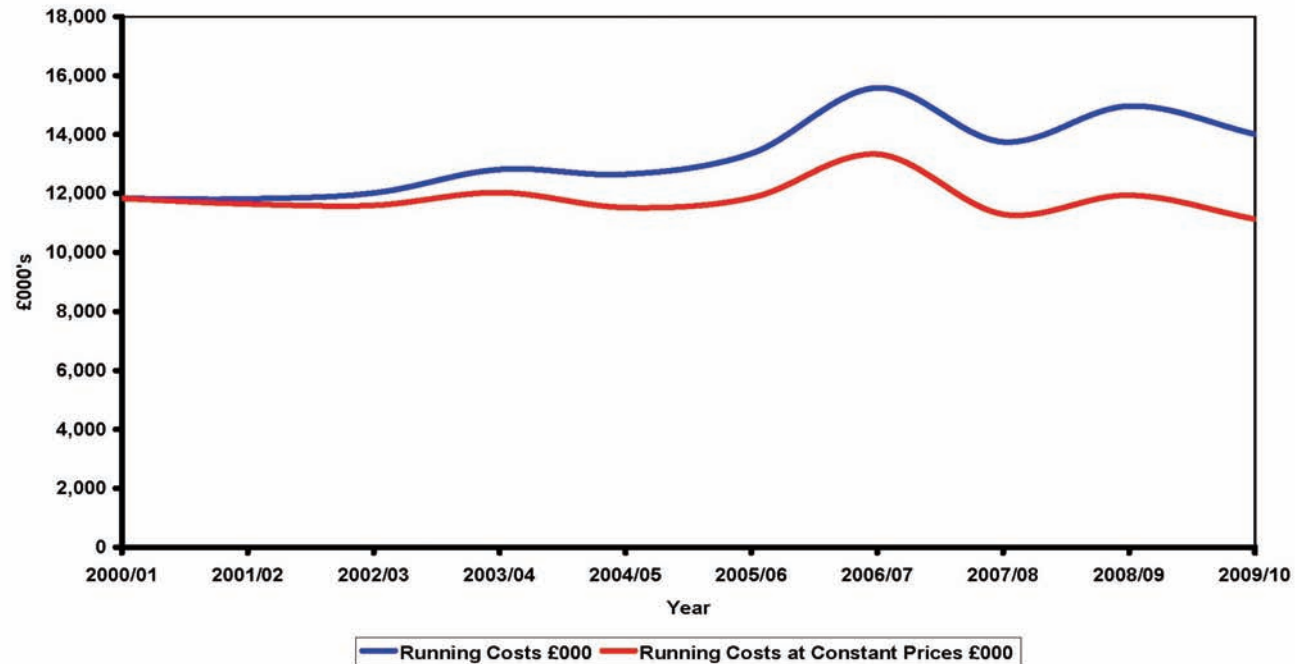
- Category 1 99.8%
- Category 2 99.0%
- Category 3 97.0%

ATON TYPE	CAT	IALA MIN	2005/2006		2006/2007		2007/2008		2008/2009		2009/2010	
			ACT	DIFF	ACT	DIFF	ACT	DIFF	ACT	DIFF	ACT	DIFF
BUOYS	1		99.8%	-	99.8%	-	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%
BUOYANT BEACON	1								99.6%	-0.2%	99.8%	0.00%
LIGHTS	1		99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.8%	0.00%
RACONS	1		100.0%	0.2%	99.9%	0.1%	99.9%	0.1%	99.8%	0.0%	99.8%	0.00%
TOTAL	1	99.8%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%	99.9%	0.1%
BUOYS	2		99.8%	0.8%	99.8%	0.8%	99.8%	0.8%	99.9%	0.9%	99.9%	0.9%
LEADING LIGHT	2								100.0%	1.0%	100.0%	1.0%
LIGHTS	2		99.9%	0.9%	99.9%	0.9%	99.8%	0.8%	99.8%	0.8%	99.8%	0.8%
TOTAL	2	99.0%	99.9%	0.9%	99.9%	0.9%	99.8%	0.8%	99.9%	0.9%	99.9%	0.9%
BUOYS	3		100.0%	3.0%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%
BEACON	3		100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%	100.0%	3.0%
TOTAL	3	97.0%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%	99.9%	2.9%



	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Running Costs £000	11,824	11,814	12,013	12,810	12,647	13,352	15,586	13,746	14,961	14,254
Variance %		-0.08%	1.68%	6.63%	-1.27%	5.57%	16.73%	-11.81%	8.84%	-4.73%
Running Costs at Constant Prices £000	11,824	11,640	11,592	12,026	11,515	11,845	13,329	11,289	11,933	11,317
Variance %		-1.55%	-0.41%	3.74%	-4.25%	2.86%	12.53%	-15.30%	5.70%	-5.16%
Average RPI	171.32	173.88	177.53	182.47	188.15	193.11	200.32	208.59	214.78	215.77
Annual Change %		1.49%	2.10%	2.79%	3.11%	2.64%	3.73%	4.13%	2.97%	0.46%

Running Costs on a Cash and Constant Basis



Net Expenditure Account

	<u>Note</u>	2009/10	Restated 2008/09
		£000	£000
Expenditure			
Staff costs	4	7,724	7,440
Depreciation	10	3,724	3,617
Amortisation	9	111	80
Pension cost	18	1,592	3,048
Other expenditure	5	6,709	7,525
		19,860	21,710
Income			
Advances from the General Lighthouse Fund		21,875	21,455
Other income	3	490	1,033
		22,365	22,488
Net Expenditure		2,505	778
Cost of Capital	1(l)	1,722	1,381
Interest payable/receivable	6 and 7	-5,174	-5,605
Revaluation of investment properties	11	80	-113
Net Expenditure after cost of capital charge and interest		-867	-3,559
Reversal of Cost of Capital	1(l)	-1,722	-1,381
Net Expenditure after interest		-2,589	-4,940

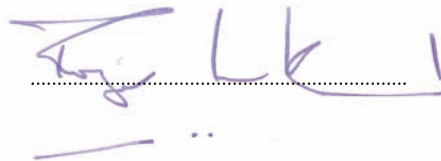
Statement of Financial Position as at 31 March 2010

	<u>Note</u>	2010 £000	Restated 2009 £000	At 1 April 2008 £000
Non-Current Assets				
Property Plant & Equipment	10	52,135	53,846	54,871
Intangible Assets	9	285	269	176
Investment Assets	11	1,032	952	1,065
Total Non-Current Assets		53,452	55,067	56,112
Current Assets				
Assets classified as held for sale	10	0	1	1
Inventories	13	585	494	567
Trade and other receivables	14	525	564	473
Other current assets		0	0	0
Financial assets		0	0	0
Cash and cash equivalents	15	116	193	270
Total Current Assets		1,226	1,252	1,311
Total Assets		54,678	56,319	57,423
Current Liabilities				
Trade and other payables	16	3,253	3,421	2,860
Other liabilities	17	0	0	0
Total Current Liabilities		3,253	3,421	2,860
Non Current Assets plus / less Net Current Assets / Liabilities		51,425	52,898	54,563
Non-Current Liabilities				
Provisions	17	2,460	2,234	944
Pension Liabilities	18	88,994	67,736	72,020
Other payables	19	20,049	21,251	22,398
Financial liabilities		0	0	0
Total Non-Current Liabilities		111,503	91,221	95,362
Assets less Liabilities		-60,078	-38,323	-40,799
Reserves				
Accumulated Reserve	2	-60,225	-38,483	-40,974
Government Grant Reserve	2	147	160	175
Total		-60,078	-38,323	-40,799

The financial statements on pages 47 and 49 were approved by the Commissioners of Northern Lighthouses on 23 September 2010, and signed on its behalf by:

A handwritten signature in black ink, appearing to read "John White", written over a horizontal dotted line.

Chairman

A handwritten signature in blue ink, appearing to read "John L. White", written over a horizontal dotted line.

Chief Executive

23 September 2010

Date

Statement of Cash Flows for the year ended 31 March 2010

	<u>Note</u>	2009/10	Restated 2008/09
		£000	£000
Cash flows from operating activities			
Net Deficit after interest		-2,589	-4,940
Pension Benefits Outflow		-3,284	-2,793
Current Service Cost	19	1,356	1,514
Profit on sale of assets		21	-40
Depreciation		3,724	3,617
Amortisation		111	80
(Increase)/Decrease in trade and other receivables		39	-90
(Increase)/Decrease in inventories		-91	73
Increase/(Decrease) in trade payables		-296	418
Revaluation of Investment properties		-80	113
Use of provisions		226	1,290
Net cash outflow from operating activities		-863	-758
Cash flow from investing activities			
Purchase of property, plant and equipment		-2,013	-2,608
Purchase of intangible assets		-133	-166
Proceeds of disposal of property, plant and equipment		74	159
Proceeds of disposal of intangibles		0	0
Loans to other bodies		0	0
(Repayments) from other bodies		0	0
Net cash outflow from investing activities		-2,072	-2,615

	2009/10	2008/09
	£000	£000
Cash flows from financing activities		
Movement in Government Grant Reserve	-14	-15
Pension Financing Cost	4,034	4,426
Capital element of payments in respect of finance leases	-1,163	-1,114
<i>Net cash flow from financing activities</i>	2,857	3,297
<i>Net cash flow from all activities</i>	-78	-76
Net increase/(decrease) in cash and cash equivalents in the period	-77	-77
Cash and cash equivalents at the beginning of the period	193	270
Cash and cash equivalents at the end of the period	116	193

Changes in General Lighthouse Fund equity for 2009-2010

	Accumulated Reserve	Government Grant Reserve	Total Reserves
	£000	£000	£000
Balance at 31 March 2009	-38,483	160	-38,323
Release of reserves to the Net Expenditure Account	-19,153	-13	-19,166
Retained Surplus/Deficit	-2,589	0	-2,589
Balance at 31 March 2010	-60,225	147	-60,078

1. Statement of Accounting policies

(a) Accounting convention

These Accounts have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Board for the purpose of giving a true and fair view has been selected. The Board's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In addition, these accounts have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Transport.

(b) Going concern

	£000
Net Liabilities on Statement of Financial Position at 31 March 2010	60,078

This reflects the inclusion of pension liabilities falling due in future years. The Secretary of State for Transport, with the agreement of the Treasury, issued a letter of comfort in December 2001 (Appendix A). The letter states that in the unlikely event of insufficient money being available from the General Lighthouse Fund to pay pension liabilities, the Department for Transport will request funds from Parliament to make the necessary payments.

It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

(c) Pension benefits

Pension benefits are accounted for in line with the requirements of IAS 19 Employee Benefits. All pension assumptions are set out in Note 18.

(d) Intangible assets and amortisation

Computer software has been capitalised and is amortised on a straight-line basis over the useful economic life of between 3-5 years dependant on the expected operating life of the asset. Intangible assets are shown at cost less amortisation. Amortisation is calculated on a monthly basis and is commenced in the month after original purchase or when the asset is brought into use and is continued up to the end of the month prior to disposal.

(e) Tangible assets and depreciation

Fixed Assets are shown at depreciated historic cost in accordance with the Accounts Direction. This does not comply with the disclosure requirements of the Financial Reporting Manual, which requires the inclusion of fixed assets at their value to the business with reference to current costs, as it has been agreed that it is impractical to revalue such assets.

Book values have been retained and revaluations have only been undertaken on assets that are surplus to requirements, restating them to open market value.

Depreciation is calculated on a monthly basis and is commenced in the month after original purchase or when the asset is brought into use, and is continued up to the end of the month during which assets are sold. Assets in the course of construction are not depreciated.

All depreciation is charged on a straight line basis having regard to the estimated operating lives and residual values as follows:

CATEGORIES

DEPRECIATION LIVES

Land and Buildings

Land	Not Depreciated
Lighthouse (building structures)	50 years
Lighthouse improvement Buildings	25 years or remaining life if less 50 years

Tenders & Ancillary Craft

Tenders*	25 years or remaining life if less
Tenders (Dry Dock and Repair)	Depreciated over 24 months until next dry docking
Work Boats	10 years

Buoys

Bodies	25 years or remaining life if less
Solarisation Costs	10 years

Plant and Equipment

Lighthouses	15 years
Automation Equipment	15 years
Racons	15 years
Radio Beacons	15 years
Depot/Workshops	10 years
Office Equipment	10 years
Vehicles	5 years
Computers - major systems	5 years
Computers - other	3 years

* Tenders held under finance leases 25 years being the expected useful life. The primary lease period is less than this, but a secondary period sufficient to cover the balance is available

(f) Inventories

Inventories of consumables, moorings and chain, engineering stores and fuel stocks on tenders are valued at weighted average cost in line with the Accounts Direction.

(g) Research and development

The Board co-operates with other Lighthouse Authorities through the Research and Radio Navigation Committee for major research and development. Direct expenditure incurred through this channel, or on any other research and development activity, is charged to revenue as it is incurred.

(h) Leasing commitments

Assets obtained under finance leases are capitalised in the Statement of Financial Position and depreciated as if owned. The interest element of the rental obligation is charged to the Net Expenditure Account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding at the beginning of the year. The capital element of the future lease payments is stated separately under Creditors, both within one year and over one year.

Expenditure incurred in respect of operating leases is charged to Net Expenditure on a straight line basis over the period of the lease. Rentals received under operating leases are credited to income.

(i) Foreign currency

All transactions in a foreign currency have been converted to Sterling immediately on receipt and are therefore translated at the exchange rate ruling at the date of the transaction.

Any monetary assets or liabilities existing as at 31 March 2010 are translated at the rate ruling at the Statement of Financial Position date.

(j) Taxation

The GLA is an exempt body from Corporation Tax under the provisions of Section 221 the Merchant Shipping Act 1995. The GLA is liable to account for VAT on charges rendered for its services and is able to reclaim VAT on all costs under the provisions of the Value Added Tax Act 1983.

(k) Transactions on behalf of other General Lighthouse Authorities

The General Lighthouse Authorities generally account for all aspects of their responsibilities as statutory authorities. However, as a result of close co-operation, the GLAs may agree that it is either more economic or practical for one GLA to be responsible and account for the costs of particular areas of work. The costs incurred by the Board on behalf of other GLAs are detailed at note 8.

(l) Notional Cost of Capital

The Net Expenditure Account includes a notional cost of capital at 3.5% of the average net assets during the year (3.5% in 2008/09). This amount is reversed after the line showing the surplus or deficit for the year.

(m) Government Grants

Grants received in respect of eligible expenditure charged to the Net Expenditure Account during the year have been included in Grant income.

Grants received in respect of capital expenditure on assets that are depreciated are credited to the Government Grant Reserve and released to the Net Expenditure Account by instalments over the useful economic life of the relevant assets.

(n) Investment properties

The Board has nine former lightkeepers' cottages that are operated as holiday cottages. It has been agreed that this alternative use is in the best interests of the General Lighthouse Fund through the generation of rental income. However, it also considers that these properties fall within the definition of "Investment Properties" under IAS 40 in that they could be disposed of without affecting the

operation of the lighthouse and they are not retained to fulfill the Board's statutory responsibilities.

Open market valuations have been completed in March 2010 at each of these properties by Graham and Sibbald, Chartered Surveyors. These properties are included in the Statement of Financial Position at the open market valuation.

(o) Provisions

The Board makes provisions for liabilities and charges in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets where, at the Statement of Financial Position date, a legal or constructive liabilities (ie a present obligation from a past event) exists, the transfer of economic benefits is probable and a reasonable estimate can be made.

(p) Financial Assets and Liabilities

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are typically cash or rights to receive cash or equity instruments in another entity. Financial liabilities are typically obligations to transfer cash. A contractual right to exchange financial assets or liabilities with other entities will also be a financial asset or liability, depending on whether the conditions are potentially favourable or adverse to the reporting entity.

Financial Assets

The Board classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available-for sale. Such assets are initially recognised at fair value. Where material, they are subsequently measured at amortised cost using the effective interest method.

Financial Liabilities

Financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost. Financial liabilities are derecognised when extinguished.

Embedded Derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is split out and reported at fair value with gains and losses being recognised in the Net Expenditure Account. The Board has carried out a review of its contracts and has determined that, as at 31 March 2010, no contracts contained embedded derivatives.

Determining Fair Value

Fair value is defined as the amount for which an asset is settled or a liability extinguished, between knowledgeable parties, in an arms length transaction. This is generally taken to be the transaction value, unless, where material, the fair value needs to reflect the time value of money, in which case the fair value would be calculated from discounted cashflows.

2. First Time Adoption of International Financial Reporting Standards

	Accumulated Reserve £000	Revaluation Reserve £000	Government Grant Reserve £000
General Lighthouse Fund equity at 31 March 2008 under UK GAAP	-41,638	887	175
Adjustments for:			
IAS 19	-223	0	0
	0	0	0
General Lighthouse Fund equity at 1 April 2008 under IFRS	-41,861	887	175
General Lighthouse Fund equity at 31 March 2009 under UK GAAP	-39,026	782	160
Adjustments for:			
IAS 19	-239	0	0
	0	0	0
General Lighthouse Fund equity at 1 April 2009 under IFRS	-39,265	782	160
Adjustments for:			
IAS 19			-16
Loss on sale of/disposal of fixed assets			40
net expenditure on behalf of all three General Lighthouse Authorities			-42
Depreciation			0
Net Expenditure for 2008-2009 under IFRS			770

Statement of Cash Flows

The Statement of Cash Flows for 2008/2009 has been restated to reflect the changes arising from the adoption of IFRS. Trade Payables has been restated to £418,000 to reflect the inclusion of the holiday pay accrual..

Expenditure by Segment

We consider all our expenditure falls under a single segment - provision of an aids to navigation network.

3. Other income

	2009/10	2008/09
	£	£
Buoy Rental	212	178
Property Rental	100	40
Other Commercial Income	84	742
Use of berth at NLB Oban	37	45
Sundry Receipts	57	28
TOTAL	490	1,033

4. Staff numbers and related costs

	2009/2010			Restated
	Total	Permanently employed staff	Others	2008/2009
	£000	£000	£000	£000
Wages and salaries	7,173	6,976	197	6,912
Social security costs	551	551	0	526
Other pension costs	0	0	0	0
Redundancy costs	0	0	0	2
Sub Total	7,724	7,527	197	7,440
Less recoveries in respect of outward secondments	0	0	0	0
Total net costs	7,724	7,527	197	7,440
	2009/2010			Restated
	Total	Permanent Staff	Others	2008/2009
				Total
Directly Employed	199.1	199.1	0	192.5
Other	3	0	3	4
Staff engaged on capital projects	0	0	0	0
TOTAL	202.1	199.1	3	196.5

5. Other expenditure

	2009/2010	2008/2009
	£000	£000
Running Costs	6,192	7,065
Profit on disposal of asset	-68	0
Loss on disposal of property, plant and equipment	94	-40
Rentals under operating leases	491	501
Other Expenditure	6,709	7,526
Interest charges	5,174	5,605
PFI service charges	0	0
Research and Development expenditure	0	0
Non-cash items		
Depreciation	3,724	3,617
Amortisation	110	80
Cost of Capital charges	-1,722	-1,381
Provision provided for in year	258	972
Unwinding of discount on provisions	0	0
TOTAL	14,253	16,419

Analysis of running costs

	2009/2010	2008/2009
	£000	£000
Communications	398	403
Fuel, Water, Heat and Light	414	341
Helicopter Flying	792	735
Information Technology	240	331
Insurance	239	233
Legal and Consultancy Costs	327	302
Other Staff-related Costs	487	523
Others	304	314
Repairs and maintenance	1,925	2,223
Ships' fuel	708	1,069
Travelling, subsistence and hospitality	849	1,091
Loss on sale of Property, Plant and Equipment	26	-40
TOTAL	6,709	7,525

6. Interest receivable

	2009/2010	2008/2009
	£000	£000
Bank deposits	0	12
Other short-term deposits	0	0
TOTAL	0	12

7. Interest payable

	2009/2010	2008/2009
	£000	£000
Pension financing cost	4,034	4,426
On lease of NLV Pole Star	338	351
On lease of NLV Pharos	802	840
TOTAL	5,174	5,617

8. Net expenditure on behalf of all General Lighthouse Authorities

	2009/2010	2008/2009
	£000	£000
Actuarial support	24	25
Legal fees for the collection of light dues	11	18
TOTAL	35	43

9. Intangible assets

	2009/2010 £000	2008/2009 £000
Cost or valuation		
At 1 April 2009	645	472
Additions	132	173
Transfers	1	0
Disposals	-100	0
Impairments	0	0
Revaluation	0	0
At 31 March 2010	679	645
Amortisation		
At 1 April 2009	376	296
Charged in year	111	80
Disposals	-93	0
Impairments	0	0
Revaluation	0	0
At 31 March 2010	394	376
Net book value at 31 March 2010	285	269

Net book value at 1 April 2008 was £472,000.

10. Property, plant and equipment

	Land	Buildings	Dwellings	Ancillary craft	Tenders	Buoys	Information Technology	Plant & Machinery	Furniture and Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation											
At 1 April 2009	88	28,916	0	9	27,817	3,526	596	22,651	0	2,565	86,168
Additions	0	369	0	0	215	71	29	552	0	866	2,102
Donations	0	0	0	0	0	0	0	0	0	0	0
Disposals	0	-4	0	0	-164	-17	-131	-262	0	0	-578
Impairments	0	0	0	0	0	0	0	0	0	0	0
Reclassifications	0	275	0	0	0	0	0	306	0	-582	-1
Revaluations	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2010	88	29,555	0	9	27,868	3,581	494	23,247	0	2,849	87,691
Depreciation											
At 1 April 2009	12	12,222	0	6	4,644	2,161	369	12,908	0	0	32,322
Charged in year	0	961	0	1	1,186	202	67	1,307	0	0	3,724
Disposals	0	-3	0	0	-159	-4	-131	-193	0	0	-490
Impairments	0	0	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2010	12	13,180	0	7	5,671	2,359	305	14,022	0	0	35,556
Net book value at 31 March 2009	76	16,694	0	4	23,173	1,366	227	9,742	0	2,565	53,846
Net book value at 31 March 2010	76	16,374	0	3	22,197	1,222	189	9,225	0	2,849	52,135
Net book value at 1 April 2008	73	16,358	0	4	24,135	1,540	169	9,568	0	3,025	54,872
Owned	76	16,377	0	3	-26	1,222	189	9,224	0	2,849	29,912
Finance Leased	0	0	0	0	22,222	0	0	0	0	0	22,222
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0	0	0
Net book value at 31 March 2010	76	16,377	0	3	22,196	1,222	189	9,224	0	2,849	52,135

Assets held for sale

There were no assets held for sale on 31 March 2010. The Killantringan Lighthouse Tower was an asset held for sale on 31 March 2008 (£1,000). The Cromarty Lighthouse tower was an asset held for sale on 31 March 2009 (£900).

11. Investment assets

	2009/2010 £000	2008/2009 £000
Holiday cottages and Interpretation Centre		
As at 1 April 2009	952	1,065
Additions	0	0
Depreciation	0	0
Revaluations	80	-113
As at 31 March 2010	1,032	952

12. Impairments

There are no impairments in 2008/2009 and 2009/2010.

13. Inventories

	2009/2010	2008/2009	1 April 2008
	£000	£000	£000
Mooring Chain	121	39	79
Base Stores	112	121	108
Workshop Stores	196	220	277
Fuel Oil	156	114	103
TOTAL	585	494	567

14. Trade and other receivables

	2009/2010	2008/2009	1 April 2008
	£000	£000	£000
Amounts falling due within one year:			
Trade receivables	22	102	10
Deposits and advances	29	46	41
Other receivables	0	0	0
Prepayments and accrued Income	303	244	298
Current part of PFI prepayment	0	0	0
Current part of NLF loan	0	0	0
VAT Recoverable	164	168	125
TOTAL	518	560	474
Amounts falling due after more than one year:			
Trade receivables	0	0	0
Deposits and advances	0	0	0
Other receivables	0	0	0
Prepayments and accrued Income	7	4	0
TOTAL	7	4	0

Amounts included above that fall within the Whole of Government Accounting boundary are:

Central Government	168	179	131
Local Authorities	1	2	0
NHS Trusts	0	0	0
Public Corporations	4	26	1
Bodies external to Government	352	357	342
TOTAL	525	564	474

15. Cash and cash equivalents

	2009/2010	2008/2009	1st April 2008
	£000	£000	£000
Balance at 1 April 2009	193	270	1025
Net change in cash and cash equivalent balances	-77	-77	-755
Balance at 31 March 2010	116	193	270
The following balances at 31 March were held at:			
Commercial banks and cash in hand	116	193	270
Short term investments	0	0	0
Balance at 31 March 2010	116	193	270

16. Trade payables and other current liabilities

	2009/2010 £000	Restated 2008/2009 £000	Restated 1 April 2008 £000
Amounts falling due within one year			
VAT	0	0	0
Other taxation and social security	209	225	196
Trade payables	871	903	744
Other payables	18	33	16
Accruals and deferred Income	953	1,119	830
Current part of finance leases	1,202	1,141	1,075
Current part of imputed finance lease element of on balance sheet PFI contracts	0	0	0
Current part of NLF loans	0	0	0
TOTAL	3,253	3,421	2,861
Amounts falling due after more than one year:			
Other payables, accruals and deferred Income	0	0	0
Finance leases	20,049	21,251	22,398
Imputed finance lease element of on-balance sheet PFI contracts	0	0	0
NLF loans	0	0	0
TOTAL	20,049	21,251	22,398
Amounts included above that fall within the Whole of Government Accounting boundary are:			
Central Government	244	274	214
Local Authorities	1	1	4
NHS Trusts	0	0	0
Public Corporations	6	296	9
Bodies external to Government	23,052	24,101	25,031
TOTAL	23,303	24,672	25,258

17. Provisions for liabilities and charges

	Redundancy costs £000	Compensation Payts. £000	ACPs £000	MNOFF £000	Total £000
Balance at 1 April 2008	176	25	143	600	944
Balance at 1 April 2009	0	12	122	2,100	2,234
Provided in the year	0	1	0	257	258
Provisions not required written back	0	0	0	0	0
Provisions utilised in the year	0	0	-32	0	-32
Unwinding of discount	0	0	0	0	0
Balance at 31 March 2010	0	13	90	2,357	2,460

Analysis of expected timing of discounted flows

	Redundancy costs £000	Compensation Payts. £000	ACPs £000	MNOFF £000	Total £000
In the remainder of the Spending Review period (to 2012)	0	13	0	257	270
Between 2012+1 And 2012+5	0	0	90	0	90
Between 2012+6 And 2012+10	0	0	0	2,100	2,100
Thereafter	0	0	0	0	0
Balance at 31 March 2010	0	13	90	2,357	2,460

Included in the amounts not expected to be called until after 2012+10 are:

Amounts not expected to be called until the period beginning 2012+50	0	0	0	0	0
Amounts not expected to be called until the period beginning 2012+75	0	0	0	0	0

18. Pension liabilities

Northern Lighthouse Pension Scheme and Northern Lighthouse Compensation Scheme

The pension entitlement of the employees of the Northern Lighthouse Board arises under an internally defined benefit pension scheme. The pension benefits of the Scheme are determined by the Secretary of State under Section 214 of the Merchant Shipping Act 1995. The Secretary of State has determined that the rules of the Principal Civil Service Pension Scheme shall apply. Compensation for premature loss of office is determined by the terms of the Northern Lighthouse Compensation Scheme, operated by direct analogy with the Civil Service Compensation Scheme 1994.

Employees joining after 1 October 2002 could opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer contributions of

	2009/2010	2008/2009
	£	£
Partnership Pension Accounts	12,000	8,000

were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

There were no contributions due to the partnership pension providers at the Statement of Financial Position. There were no contributions that had been prepaid at that date.

The Scheme falls within the definition of a "Public Service Pension Scheme" in Section 1 of the Pension Schemes Act 1993 and is not required to be separately funded. The Scheme is therefore operated on a non-contributory basis with the exception of contributions made to provide Widows' and Widowers' pensions and in a number of cases voluntary contributions made by employees for the purchase of added years of service.

The pension payments of the Northern Lighthouse Board, along with the other Lighthouse Authorities, are paid by the General Lighthouse Fund as they fall due on the following basis:-

- (i) Payments to pensioners/widows/widowers/children for the financial year under review;
- (ii) Lump sums paid to new pensioners and preserved lump sums coming into effect during the year;
- (iii) Annual compensation payments paid to those members who are made redundant in advance of minimum retirement age (60);
- (iv) Accrued benefits due to employees who leave and who opt to have such benefits transferred to another pension scheme;
- (v) Injury benefits;
- (vi) Refunds of widows'/widowers' pension contributions at leaving and/or age 60/65;

Reduced by:

- (vii) Contributions made by employees during the year in respect of widows/widowers and added years;
- (viii) Accrued benefits transferred from other pension schemes in respect of new employees.

The General Lighthouse Authorities obtain professional actuarial valuations at 3 yearly intervals and updated each year for IAS 19 purposes. The last valuation was completed in 2010 valued as at 31 March 2010. The accumulated liability for the Northern Lighthouse Board in respect of all current employees was in the order of £33,281,000. The estimated liability for pensions in payment and deferred pensions of former employees of the Northern Lighthouse Board was £88,994,0000.

	31 March 2010
	£000
The Actuary's updated estimate of the liability of ACPs	90,000

The following information has been provided in accordance with International Accounting Standard 19 - Employee Benefits.

Active Members	33,281
Deferred Pensioners	7,131
Pensioners	48,582
Total Liability at Projected Unit Method	88,994
Real Discount Rate	1.80%
Inflation Rate	2.75%
Discount Rate	4.60%
Salary increase assumption	3.75%
Rate of increase for pensions in payment	2.75%
Rate of increase for pensions in deferment	2.75%

	£000	£000	£000
Scheme liability at 1 April 2008			72,020
Scheme liability at 1 April 2009			67,736
Current service cost		1,270	
Past service costs		86	
Interest on pension scheme liability		4,034	
			5,390
Benefits payable			
Pensions or annuities to retired employees and dependents	-2,983		
Commutations and lump sum benefits:			
On retirement	-287		
On early retirement	-211		
On death	-12		
Injury benefits	0		
		-3,493	
Pension payments to and on account of leavers	0		
Refunds to members leaving service	-3		
Group transfers to other schemes	0		
Individual transfers to other schemes	-12		
		-15	
			-3,508
Income received in respect of enhancements			
Employees	0		
Purchase of added years	70		
WPS Contributions	137		
Employers	0		
Bringing forward the payment of accrued lump sums	0		
Enhancement to pensions on departure	0		
Enhancement to pensions on retirement	0		
		207	
Pension transfers in			
Group transfers in from other schemes	0		
Individual transfers in from other schemes	17		
		17	
			224
Actuarial Gains and Losses			
Experience arising on the scheme liabilities	-7,688		
Changes in assumptions underlying the present value of scheme liabilities	26,790		
		19,102	
Club transfers in		50	
Club transfers out		0	
			19,152
Scheme liability at 31 March 2010			88,994

	£000
Opening Balance	67,736
Closing Balance	88,994
Decrease in Pension Reserve	21,258
Operating Cost	1,356
Financing Costs	4,034
Pension Payments	-3,284
Statement of Recognised Gains and Losses	19,152
Total	21,258

	31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006	31 March 2005
	£000	£000	£000	£000	£000	£000
Experience Gains and Losses on Scheme Liability amount	-7,688	0	280	-180	-173	-788
	-9%	0%	0%	0%	0%	-1%
Total amount recognised in the Statement of Total Recognised Gains and Losses	19,152	-7,432	-8,671	9,542	8,405	782
	22%	-11%	-12%	12%	13%	1%

The Department for Transport has reported the contingent liability for the General Lighthouse Authorities' pensions in their Departmental Resource Accounts for 2007/2008 and a liability of £348,000,000 (the estimated liability calculated at 31 March 2007) has been disclosed.

On 17 December 2001 the then Department for Transport, Local Government and the Regions gave the General Lighthouse Authorities a Letter of Comfort (See Appendix A) in respect of contingent pension liabilities. The Letter states that in the unlikely event of insufficient money being available from the General Lighthouse Fund to pay pension liabilities, the Department will request funds from Parliament to make the necessary payments.

In November 1998 it was agreed together with the DfT, the other GLAs and the Lights Advisory Committee that a full actuarial valuation would be completed at three yearly intervals. Hymans Robertson have been engaged to provide actuarial support.

The principal revenue of the Fund is light dues which are fixed by the Secretary of State (Minister for the Marine for Republic of Ireland) by orders under Section 205 of the Merchant Shipping Act 1995 (which are subject to negative resolution of Parliament). Subject to Parliamentary approval of such orders, the Secretary of State will seek to ensure that annual revenues are maintained at a sufficient level to meet the Pension Scheme's liabilities.

Merchant Navy Officers' Pension Fund

The Board is a Participating Employer of the Merchant Navy Officers' Pension Fund (MNO PF) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNO PF is a funded multi-employer scheme but the Northern Lighthouse Board is unable to identify its share of the underlying assets and liabilities. Officers who start employment with the Board and are members of the MNO PF are given the option of continuing MNO PF membership or joining the Northern Lighthouse Pension Scheme. This option is no longer given to new entrants. The assets of the scheme are held separately from the General Lighthouse Fund, being held in separate funds managed by trustees of the scheme. Contributions to the scheme (11.9% of pensionable salaries) are charged to the Net Expenditure Account when they are paid.

Contributions to the MNO PF as follows:

	2009/2010	2008/2009
	£	£
MNO PF Contributions	11,000	11,000

During 2009/2010 2 Officers were members of MNO PF.

The rules of the MNO PF state that Participating Employers may be called to make lump sum payments to make up deficits. With effect from 8 June 2000 the rules were amended to state that an employer will not be regarded as ceasing to be a Participating Employer as a result of ceasing to employ Active Members or other eligible employees. The MNO PF has made an application to the Court to obtain confirmation that the position that applies from 8 June 2000 also applied before.

As a Participating Employer, the Board can be required to contribute to the deficit. The hearing of this matter took place between 8 and 11 March 2005 and the judgement was handed down by Mr Justice Patten on 22 March 2005. In general terms the judgement stated that the Trustees of the MNO PF are entitled to demand a contribution to meet the deficit in the Post 1978 section from all employers who have ever participated in the Fund.

The Board has made a provision of £2.1M for the liability arising under Section 75 of the Pensions Act 1995 when the last 'Active' member ceases employment with the Board.

19. Commitment under leases

19.1 Operating leases

	2009/2010 £000	Restated 2008/2009 £000	Restated 1 April 2008 £000
Obligations under operating leases comprise:			
Land			
Not later than one year	22	25	25
Later than one year and not later than five years	21	23	23
Later than five years	14	12	12
Buildings			
Not later than one year	8	9	9
Later than one year and not later than five years	0	24	24
Later than five years	0	0	0
Other:			
Not later than one year	710	623	623
Later than one year and not later than five years	3,338	382	382
Later than five years	548	0	0

19.2 Finance leases

	2009/2010 £000	2008/2009 £000	Restated 1 April 2008 £000
Obligations under finance leases comprise:			
Buildings			
Not later than one year	0	0	0
Later than one year and not later than five years	0	0	0
Later than five years	0	0	0
	0	0	0
Less interest element	0	0	0
	0	0	0
Other			
Not later than one year	2,303	2,303	2,316
Later than one year and not later than five years	9,210	9,210	9,266
Later than five years	18,004	20,307	22,759
	29,517	31,819	34,341
Less interest element	-8,265	-9,427	-10,868
	21,251	22,392	23,473
	NLV Pharos	NLV Pole Star	
Length of lease	15 years	25 years	
Year commenced	2007	2000	
Outstanding lease period	12 years	16 years	
Frequency of payments	Half-yearly in advance	Half-yearly in advance	
Interest rate charged	5.38%	4.71%	

The payables due under finance leases are secured on NLV Pharos and NLV Pole Star.

20. Other financial commitments

There are no other financial commitments.

21. Capital commitments

	2009/2010 £000	2008/2009 £000	1 April 2008 £000
Contracted capital commitments at 31 March 2010 not otherwise included in these financial statements			
Property, plant and equipment	354	771	1,107
Intangible assets	2	32	0
	356	803	1,107

22. Post-retirement benefits

In previous years, the Board has paid for career counselling and advice for staff made redundant under restructuring. This advice is provided prior to retirement. There have been no payments made in 2008/2009 and 2009/2010.

23. Contingent liabilities disclosed under IAS37

Protection and indemnity

The Board's marine protection and indemnity risks are insured through The Standard Steamship Owners' Protection and Indemnity Association (London) Limited which is a member of the International Group of Protection and Indemnity Clubs.

The Club has adopted a conservative underwriting policy and concentrates on insuring vessels operating in European inland waterways, harbours and coastal trades.

The mutual method of insuring these risks includes a re-insurance programme and the pooling arrangements of the International Group. However, in common with all members of International Group Clubs, the Board could be liable for additional premium payments (Supplementary Calls) to cover any claims which cannot be met from funds available. The Standard Club has closed the years up to and including 2007/2008 and there will be no Supplementary Calls for these years. The Club has advised the Board that it does not anticipate Supplementary Calls for the years 2008/2009 and 2009/2010. As a result, the Board has made no provision in the Accounts.

Litigation

The Board has one outstanding dispute arising out of its normal activities. The Legal Opinion obtained by the Board indicates that in the event of litigation the Board is likely to succeed. Therefore no provision has been made in the Accounts.

Both these contingent liabilities were disclosed at 31 March 2008 and 31 March 2010.

24. Inter-GLA ship transactions

The Board did not provide the services of NLV POLE STAR or NLV PHAROS during the year to the other GLAs under the terms of the inter-GLA Ship Agreement. The Board did not receive the services of other ships. While there would be no transfer of Funds between the GLAs in respect of this service, these transactions would give rise to notional expenditure of

	2009/2010	2008/2009
	£	£
Notional expenditure	0	55,000
Notional income	0	130,000

25. Related parties

General Lighthouse Fund

The General Lighthouse Fund is administered by the Department for Transport who sponsor the three General Lighthouse Authorities. For this purpose each is considered to be a Non Departmental Public Body (NDPB).

The Authorities and the Department for Transport are regarded to be related parties. During the year there has been various material transactions between the Fund and the Authorities.

	2009/2010	2008/2009
	£000	£000
Advances from the General Lighthouse Fund	21,875	21,455
Expenditure for all GLAs	35	43

Neither the Secretary of State for Transport, any key officials with responsibilities for the Fund or any of the Authorities board members, key managerial staff or other related parties has undertaken any material transactions with the Fund during the year.

The North Ronaldsay Trust

The North Ronaldsay Trust is a company limited by guarantee and registered in Scotland. The Trust has been established to promote the island and, in particular, the built and natural heritage. The Trust has six nominated members including the Northern Lighthouse Board. The Director of Finance and Administration has been appointed as a Director of the Company. The Board's liability to the Trust is limited to £1 and there have been no transactions in the year.

Scotland's Lighthouse Museum Ltd

Scotland's Lighthouse Museum (SLM) Ltd is a registered charity whose primary purpose is to advance and promote the education of the general public, to establish and preserve a Museum of the history and operation of lighthouses in Scotland and to aid their physical preservation. The former Chief Executive and Director of Engineering are SLM Board Members.

By agreement, the former Chief Executive who left the Board on 30 April 2006 remained as the Board's nominee to the SLM Board until to 30 April 2009. As part of these arrangements it was agreed to make an annual payment of £800 for three years to cover travel and subsistence costs to attend meetings, etc. The payments were made to the Museum and the arrangement ended on 30 April 2009. To date the only other transactions between the Museum and the Board have been the gifting or loan of artefacts. However, it is hoped in the future to explore synergies between the Museum and the Board's policy for extended public access to lighthouses and general public relations activities.

Black Bequest

The Black Bequest is a registered charity whose primary purpose is to provide support to former lighthouse keepers and their dependants. The Trustees are the Chairman, Vice-Chairman and Chief Executive. There have been no transactions between the Trust and the Board.

The Commissioners of Northern Lighthouses 2000 Trust

The Commissioners of Northern Lighthouses 2000 Trust is a registered charity whose primary purpose is to provide support to Merchant Navy Officer Cadets. The Trustees are the Chief Executive, Director of Finance and one Commissioner. There have been no transactions between the Trust and the Board.

The Heritage Trust

The Northern Lighthouse Heritage Trust is a registered charity whose primary purpose is to support the preservation and conservation of lighthouse heritage.

The Board and the Trust entered into an Asset Transfer Agreement to transfer the book collection to the Trust.

26. Third party assets

There are other assets held by the Board on behalf of the Commissioners. These assets are a collection of furniture, books, maps, paintings and silver and do not form part of the General Lighthouse Fund.

	31 March 2010	31 March 2009
	£	£
Value of the heritage collection	406,410	602,980
Cash and investments	52,544	51,000

27. Financial instruments

IAS 32 *Financial Instruments: Presentation* requires disclosure of the role which financial instruments have had during the year in creating or changing the risks the Board faces in undertaking its activities. Because of the largely non-trading nature of its activities and the method of funding by the General Lighthouse Fund, the Board is not exposed to the degree of financial risk faced by other business entities. The Board has borrowing powers under the Merchant Shipping Act 1995 but very limited powers to invest surplus funds.

As permitted by FRS 29, debtors and creditors which mature or become payable within 12 months from the Statement of Financial Position date have been omitted from the profile.

Liquidity risk

The Board relies primarily on advances from the General Lighthouse Fund for its cash requirements and is therefore not exposed to significant liquidity risks although it is dependent on the liquidity of the General Lighthouse Fund. During the year the income to the General Lighthouse Fund has been adversely effected by the Global downturn, and in particular, the reduction in shipping traffic and investment returns. The Department for Transport has taken steps to increase the light dues charges to compensate. In association with the GLAs the Department for Transport has also revised the contingency reserve level to be held in the General Lighthouse Fund.

Interest rate risk

There is an exposure on the leases to a change in the main rate of Corporation Tax. During the setting up of the finance lease for NLV Pole Star, the Board evaluated the option of eliminating this exposure. However, it was found that the financial risks were not significant.

The Board holds working funds in a Money Market Account and is therefore exposed to interest rate fluctuations. However, the balance is managed to ensure that it is maintained at a minimum to meet forecast short-term cash requirements.

Currency risks

The Board has no significant foreign currency transactions and is not therefore exposed to significant currency risks.

Fair values

Set out below is a comparison by category of the book values and fair values of the Board's financial assets and liabilities as at 31 March 2010.

	Book Value	Fair Value
	£000	£000
Primary Financial Instruments		
Financial Assets		
Cash and Bank at hand	116	116
Bank Guarantees	400	400
Financial Liabilities		
Finance Lease obligations	21,251	21,251

A bank guarantee is held to protect the Board in a significant contract. The guarantee would provide financial compensation to the Board in the event of contract default. The financial compensation would be used to fund a short-term contract with an alternative supplier to provide continuity of service.

28. Losses

Obsolete inventory and losses amounting to £15,000 (£12,000 - 2008/2009) were written off during the year.

29. Further information

29.1 Number of non-current assets

	31 March 2010	31 March 2009
Lighthouses (including one station providing radio/electric nav aids only)	210	213
Buoys	201	207
Unlit beacons	34	34
Buoyant beacons	0	1
Tenders	2	2

29.2 Number of non-current assets deployed

	31 March 2010	31 March 2009
Lighthouses (including one station providing radio/electric nav aids only)	206	209
Buoys	164	164
Unlit beacons	34	34
Buoyant beacons	0	1
Tenders	2	2

29.3 Responsibility for Aids to Navigation

Aids to navigation for which the Board has responsibility as a General Lighthouse Authority as at 31 March 2010.

STATUTORY

	Number	Monitored	Analysed by Category		
			Category 1	Category 2	Category 3
Lights - over 15 nautical mile range	80	74	80	0	0
Lights - less than 15 nautical mile range	126	111	68	58	0
Total Lights	206	185	148	58	0
Buoys - Lit	164	5	45	93	26
Total Buoys	164	5	45	93	26
Beacons	34	0	0	0	34
DGPS stations	4	4	4	0	0
RACON on lighthouses	21	21	21	0	0
RACON on buoys	6	0	5	0	0
AIS Units - Lights	8	8	0	0	0
AIS Units - Buoys	12	12	0	0	0
TOTALS	455	425	223	151	60

Note: Number of stations with more than one RACON

3

Note: Number of AIS stations with Base Units and Controllers

7

Lights

0

4 Rigwatcher

Buoys

93

21 NLB buoys 72 client owned buoys

Fog Signals

0

RACON stations

2

LOCAL AUTHORITY

Light stations

1,019

Buoy stations

702

Total

1,721

TRIAL

Buoys

1

AIS

Light

1

St Kilda no NLB Light



Appendix A

THE DEPARTMENT FOR TRANSPORT, LOCAL GOVERNMENT AND THE REGIONS

LETTER OF COMFORT IN RESPECT OF GENERAL LIGHTHOUSE FUND PENSIONS CONTINGENT LIABILITIES, TO BE GIVEN TO THE GENERAL LIGHTHOUSE AUTHORITIES

The pensions in respect of the beneficiaries of the Pensions Schemes of the General Lighthouse Authorities (GLAs) are safe. This is recognised by the fact that the pensions liability of the General Lighthouse Fund (GLF) is reported to Parliament annually as a contingent liability of the Department of Transport, Local Government and the Regions (DTLR). This is a form of early warning to Parliament that it may be asked to authorise expenditure on this item. Any liability which a GLA might not be able to meet from its own resources (which in the GLA's case is the GLF) would fall to DTLR as the sponsor department.

DTLR has therefore already given the strongest public assurance that the pensions of the beneficiaries of the Pensions Schemes of the GLAs will be paid by the inclusion of the liabilities of the GLF in their departmental contingent liability return to Parliament.

Therefore in the unlikely event of insufficient money being available, DTLR will request funds from Parliament to ensure that the pensions are paid to the beneficiaries of the Pensions Schemes of the GLAs. The pensions of the GLAs are therefore assured by this Letter of Comfort.

Signed by:



On behalf of the Secretary of State
for Transport, Local Government and the Regions
Date 17.12.2001

Northern Lighthouse Board

84 George Street, Edinburgh EH2 3DA
Tel: 0131 473 3100
Fax: 0131 220 2093
E-mail: enquiries@nlb.org.uk
Website: www.nlb.org.uk

