

GD 2017/0047



# ISLE OF MAN GOVERNMENT ACCOUNTS

**2016/17**

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**Isle of Man  
Government**

*Beilga Ellen Vannin*





**Isle of Man**  
**Government**

*Reiltys Ellan Vannin*

**AUDITED ACCOUNTS**

**For the Year Ended 31 March 2017**

**LAID BEFORE TYNWALD BY THE TREASURY**



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# 1 Explanatory foreword

## 1.1 Introduction

The purpose of this foreword is to offer interested parties a comprehensive guide to the most significant matters reported in these Accounts. These accounts are known as the "Dark Blue Book" and the pages which follow are the audited Isle of Man Government accounts for the year ended 31 March 2017.

## 1.2 Accounting Changes

The Isle of Man Government introduced the Audit Act 2006, Accounts and Audit Regulations 2013<sup>1</sup> and the Accounts and Audit (Amendment) Regulations 2016<sup>2</sup> for accounting and financial reporting and requires the Accounts to be prepared in accordance with any Financial Reporting Standards issued or adopted by the UK and the Audit Directions 2008<sup>3</sup>. Consequently, the Accounts for the year-ended 31<sup>st</sup> March 2017 have been prepared in accordance with FRS102.

The Accounts are prepared in respect of 'Central Government' (comprising Departments, Offices and revenue funded Statutory Boards of Isle of Man Government, as in previous years) and also in respect of the Isle of Man Government Group Accounts (comprising Central Government plus the two non-Revenue Funded Statutory Boards and companies owned by Central Government).

## 1.3 Financial Highlights and Commentary (Section 2)

The financial commentary is intended to provide a quick guide to the Government's annual transactions and its year end position.

## 1.4 Statement of Responsibilities (Section 3)

This sets out the respective responsibilities for preparing the Accounts.

## 1.5 Statement on Internal Control (Section 4)

This is a statement by the Chief Financial Officer describing the Government's arrangements for ensuring strong governance and internal control, the progress made in addressing issues identified by this process previously and areas where improvements are planned.

## 1.6 Report of the Independent Auditors (Section 5)

The Independent Auditor reports on whether, in their opinion, the Accounts have been properly prepared in accordance with the Accounts and Audit Regulations 2013 (as amended) and comply with the requirements of all other enactments applicable to the Accounts.

## 1.7 Income and Expenditure Account (Sections 6.1-6.3)

The Income and Expenditure Account shows in summary form all of the Government's annual income and expenditure, in accordance with United Kingdom Accounting Standards as applicable to an Isle of Man Entity, and the consequent surplus or deficit which has arisen during the year. It reports the cost for the year of the major services undertaken by the Government and compares that cost with the finance provided by Treasury income.

The income and expenditure for the year has been presented in accordance with the source of the voted income and the Government Department responsible for the expenditure.

<sup>1</sup> Statutory Document No 0026/13

<sup>2</sup> Statutory Document No 2016/0065

<sup>3</sup> Statutory Document No 13/08



### **1.8 Statement of Total Movement on the General Revenue Account Balance (Section 6.4)**

This shows the surplus or deficit on the Income and Expenditure Account adjusted for the additional amounts which are required by statute and non-statutory proper practices to be charged and credited to the General Revenue Account in determining the movement on the General Revenue Account balance for the year. Examples of such transactions include adjustments in respect of fixed assets and pension, and transfers from the Net General Revenue Account to other external and internal reserve funds which are not included within the Income and Expenditure Account.

### **1.9 Statement of Comprehensive Income (Section 6.5)**

The Statement of Comprehensive Income shows all gains and losses recognised by Government during the year which are not reflected in operating performance within the Income and Expenditure Account, such as revaluation of certain property and infrastructure assets and unrealised gains or losses on investments.

### **1.10 Balance Sheet (Section 6.6)**

This statement is fundamental to understanding Government's year-end financial position as it reflects the balances in the Accounts of the Treasury. It does not generally attempt to place market values on the assets, although the value of Long Term Investments and certain Fixed Assets are revalued from their original cost. The amount of "Total Net Assets" does not reflect any liability associated with the National Insurance Fund Investments (future social security obligations).

### **1.11 Cash Flow Statement (Section 6.7)**

The Cash Flow Statement provides information about the changes in cash and cash equivalents for the reporting period, showing separately changes from operating activities, investing activities and financing activities.

### **1.12 Statement of Changes in Equity (Section 6.8)**

The Statement of Changes in Equity presents the surplus or deficit for the reporting period, other comprehensive income, the effects of changes in accounting policies, corrections of material errors recognised in the period and the other movements in reserves.

### **1.13 Notes to the Accounts (Section 7)**

The Notes to the Accounts record additional information that is either required to explain the summary information provided in the Accounts, or assist in explaining other information contained within the Accounts. The Notes include details of further information, the remuneration statement and any specific required year end information, including:

- Accounting Policies: this statement explains the basis upon which the figures in the Accounts have been prepared. The Accounts can only be properly appreciated if the policies which have been followed in dealing with material items are explained.
- Analysis of Treasury Income: detailed analysis of Custom and Excise, Income Tax, Social Security Income and Other Treasury Income which are included in summary form in the Income and Expenditure Account.
- Investments and Internal Reserves: detailed analysis of Government's Funds including balances brought forward, movements during the year, the balances carried forward and the associated year end market values.
- Employee Pension Liabilities: estimated liabilities in respect of employee pension schemes (as opposed to state benefit pension commitments) together with movements during the year and key assumptions used to prepare the estimates.



### **1.14 Reconciliation of Expenditure of Departments and Other Bodies (Section 8)**

These statements provide a reconciliation of the expenditure of the individual Departments and other bodies which appear in in the Income and Expenditure Account. The Central Government General Revenue budget is prepared on a different basis from the requirements of United Kingdom Accounting Standards as applicable to an Isle of Man Entity, which is appropriate and necessary for reporting purposes.

A more detailed analysis of Department expenditure is presented within the Detailed Government Accounts (Tynwald document number GD2017/0024).

### **1.15 Consolidated Loans Fund (Section 9)**

Certain expenditure of a long term nature is funded from the Consolidated Loans Fund, enabling the expenditure to be defrayed against the General Revenue budget over a number of years. These statements provide details of funding made available to Departments during the year, how this funding has been financed and details of advances and repayments made during the year. Aggregate balances for loans made to external bodies are also presented.

### **1.16 Additional Information**

Throughout the document, reference is made to the Detailed Government Accounts, which are unaudited accounts published in July 2017. Known as the 'Light Blue Book', these accounts are published informally as a source of management information, containing a more detailed version of the Government's Accounts, comparing actual income and expenditure to the budgeted figures.

Information from the Detailed Government Accounts is the basis for these Accounts which then have certain adjustments applied to ensure compliance with the current relevant accounting standard (FRS102).

The Detailed Government Accounts can be found on the Government website:

<https://www.gov.im/categories/tax-vat-and-your-money/government-accounts/>

A handwritten signature in black ink, appearing to read 'P Primrose'.

**P Primrose, ACMA**

Chief Accountant

Treasury, Finance Division

Date: 06 October 2017



## 2 Financial Highlights and Commentary

### 2.1 Introduction

This section is intended to provide a quick guide to the Government’s annual transactions and its year end position. The graphs included within the commentary add further information and give a visual impression of the relative sizes of the Income and Expenditure Account’s components.

The commentary is split between Central Government Accounts (comprising Departments, Boards and Offices funded from the General Revenue Account) and Group Accounts (which also include the two non-revenue funded Statutory Boards and six companies owned by Central Government).

### 2.2 Financial Highlights

FINANCIAL HIGHLIGHTS - GROUP					
		2016-17 £000	2015-16 £000	Variance £000	Comments
<b>REVENUE</b>					
Operating Income	↑	1,090,781	1,069,424	21,357	Operating Income now includes an additional £22.8m of pension contribution from Departments to the PSPA (2016/17 £34.4m; 2015/16: £11.6m)
Operating Expenditure	↑	(1,071,751)	(1,016,431)	(55,320)	As above, Department spending now includes an additional £22.8m in respect of pension contribution. Other Departmental spending before consolidation adjustments is up by around £16m, details of which can be found in section 7 of the Detailed Government Accounts.
Other Income and Expenditure	↓	1,417	(240,134)	241,551	Last year there was a £121m unrealised loss on investments which moved to £114m gain in 2016/17
Surplus / (Deficit) for the year	↑	20,447	(187,141)	207,588	The deficit is now a surplus, largely due to the movement in the unrealised investment gains/losses
<b>CAPITAL</b>					
Income	↓	53,769	53,910	(141)	Interest on loan charges was increased from 1.0% to 1.5% (+£4.4M), but was offset by loan charges and income from the Housing Reserve Fund
Expenditure	↑	66,075	51,591	14,484	DHSC spent £7.7m on Salisbury Street Care Home; The MUA spent £4.4m on a Gas Turbine and the DOI spent £3.5M on Plant and Vehicles
<b>EXTERNAL RESERVES</b>					
Market Value	↑	1,607,587	1,458,833	148,754	2015/16 was artificially low due to a high amount of cash held during the transition to new fund managers, but all of the funds are performing well.
Investment Income	↑	32,838	28,466	4,372	All Investment Managers exceeded the benchmarks for the 12 months ending 31/03/2017

Note – Adjustments to the Prior Year Figures

- Isle of Man Film Ltd has restated (increased) both its income and expenditure for 2015/16 by £4,000.
- Other Expenditure now includes £10.7 million loss on forward purchases.





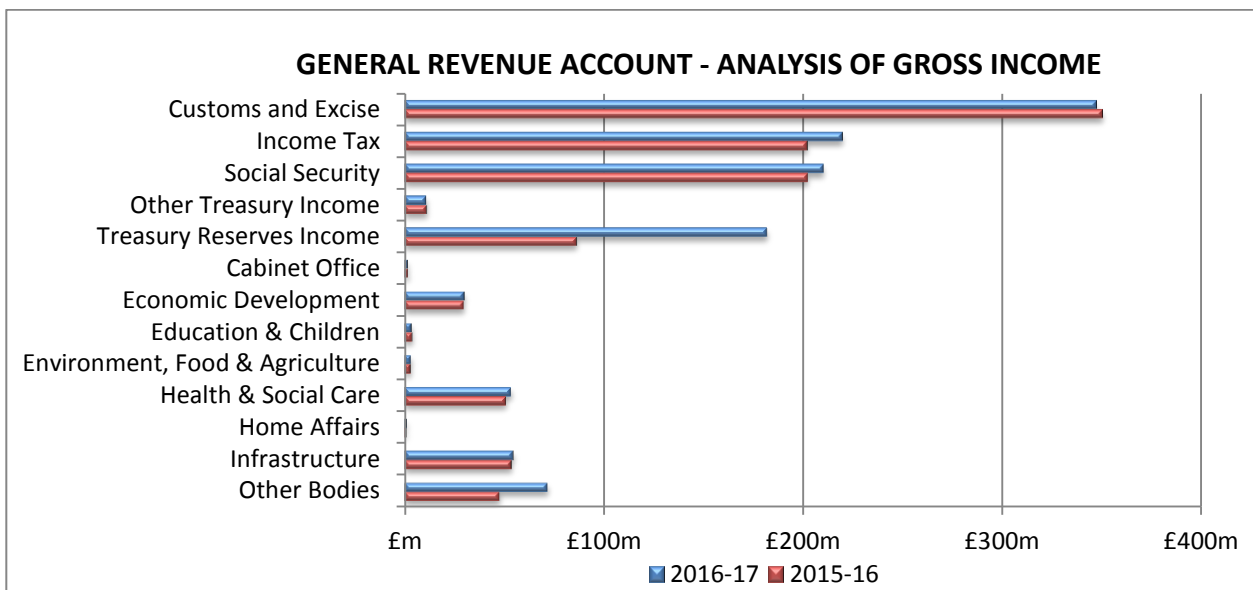
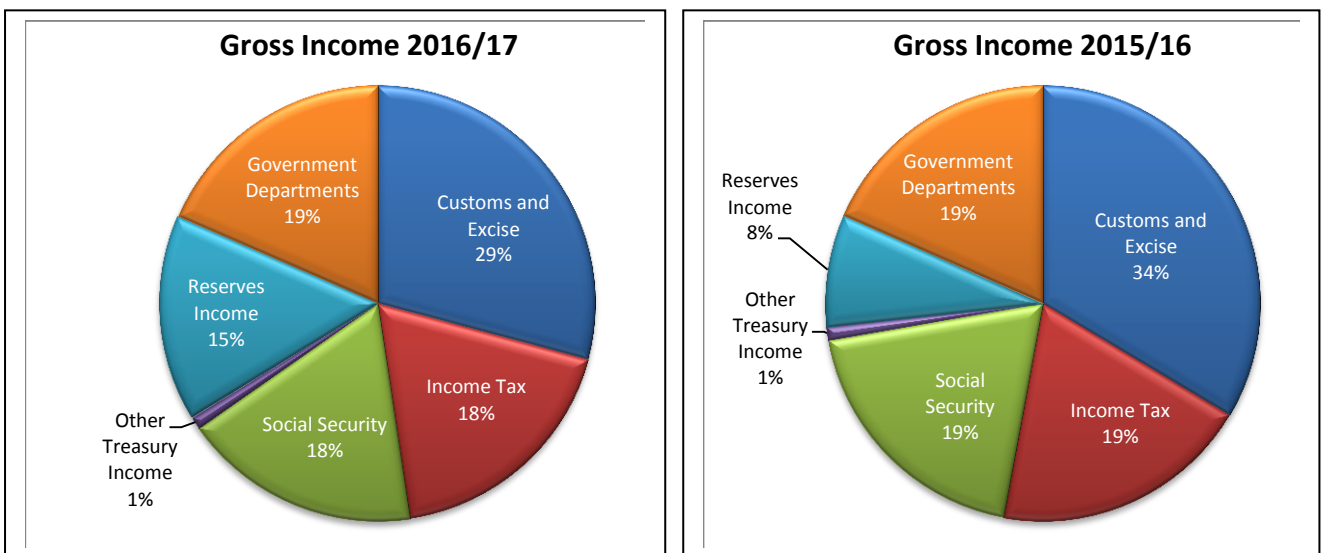
## 2.3 Central Government

### 2.3.1 Income

Compared to the Detailed Government Accounts, income is adjusted to include the income from reserves, and to adjust the income within Tax and Customs on an accruals basis rather than cash basis.

Gross income from all sources at £1,189.1 million (2015/16: £1,043.3 million) was above the budgeted figure partly due to an additional £12.0 million income received in respect of the VAT revenue sharing arrangement (which was finalised after the budget was set), an additional £4.8 million in taxation receipts and an additional £6.7 million in national insurance income.

The large increase from the previous year (£145.8 million) was mainly within Reserves Income due to a large unrealised gain on investments (£114 million) which was an unrealised loss of £121million last year (and therefore reported as an expense). Within operating income the larger movements were in income tax (up £17.7 million) and Social Security income (mainly National Insurance, up £7.9 million). Total realised reserves income was down by £18.6 million as although investment income was up by £4.4 million, net profit on investments was down by £23.1 million because many investments had been sold at the end of 2015/16 in order to manage the transition to new investment managers.





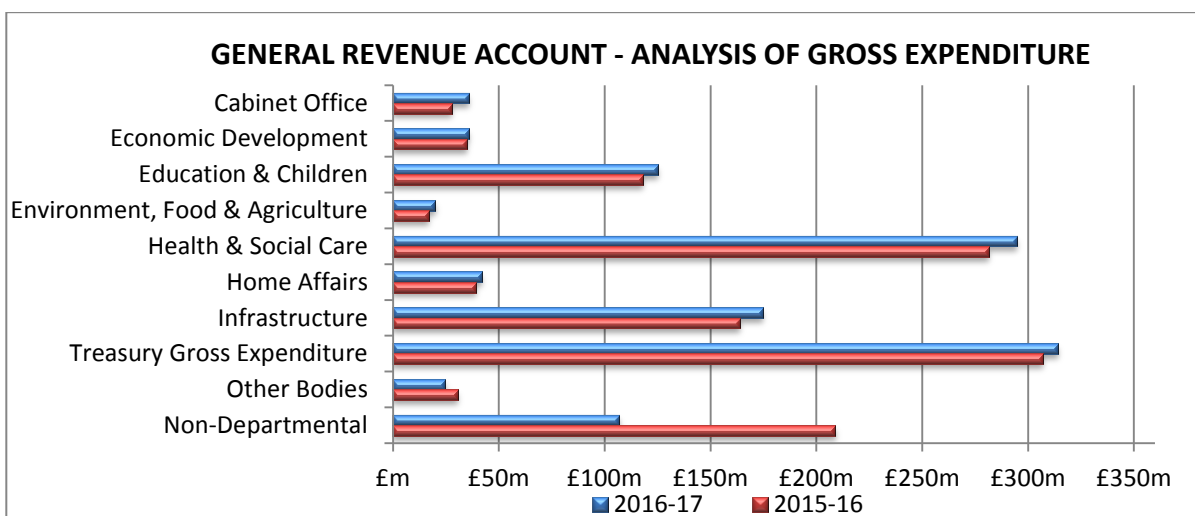
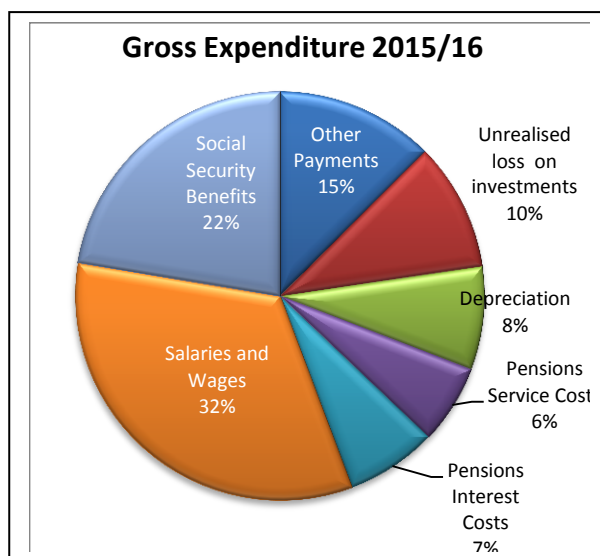
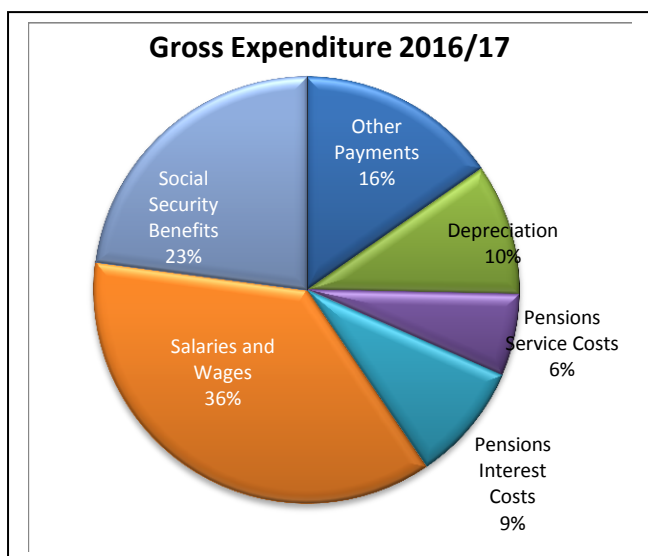
### 2.3.2 Expenditure

Compared to the Detailed Government Accounts, expenditure within these Accounts is higher due to the inclusion of depreciation charges and actuarial pension costs (as opposed to net pension payments made). Depreciation charges exceed their loan charge equivalents due to the revaluation of significant fixed asset groups above their historical costs.

FRS102 requires that unrealised gains or losses on investments are included within the Income and Expenditure Account. This has had quite a significant impact. In 2016/17 there was an unrealised gain of £114.2 million (and therefore reported in income) but in 2015/16 there was an unrealised loss of £121.0 million (and therefore reported as expense).

Gross expenditure was £1,180.6 million (2015/16: £1,228.5 million). Department expenditure now includes a contribution for employee pension costs and this added £22.8 million to expenditure although the income was credited to Executive Government and is therefore just a change to internal presentation.

Pension interest costs included were £105 million (2015/16: £86 million; see note 7.24.6) and this reflects the estimated impact of inflation on existing pension liabilities between the annual actuarial valuations of the pension scheme liabilities.



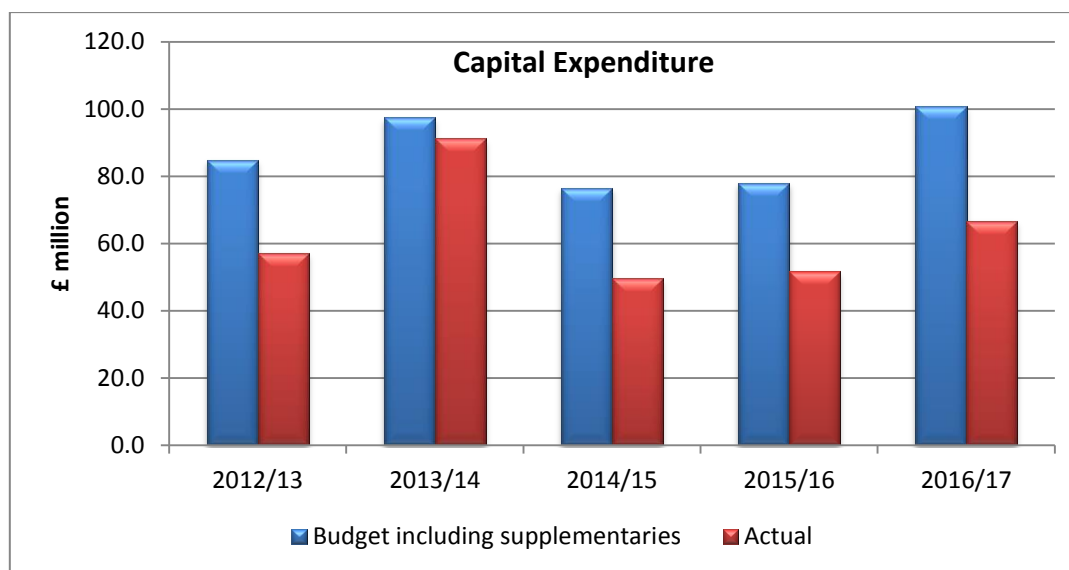
The 'Non-Departmental' costs above are the pensions interest and the unrealised losses (2015/16) on Investments.



### 2.3.3 Capital Expenditure

Total capital expenditure for the year was £66.1 million (2015/16: £51.6 million). This compares with the original budget of £92.7 million.

A Supplementary Vote of £8.1 million was approved (2015/16: £nil) in respect of the purchase of Salisbury Street Care Home, although the actual spend was less at £7.7 million. Furthermore, retrospective approval was granted by Tynwald for additional spending of £4.5 million (2015/16 £6.4 million) which was as a result of timing differences (the budget was approved but in a different year than the spending occurred), and for £2.8 million towards 2016/17 Capital expenditure where expenditure exceeded the total aggregate amount approved by Tynwald Court for the lifetime of the scheme.



	2012/13	2013/14	2014/15	2015/16	2016/17
Budget	84.9	97.5	76.5	78.0	100.8
Actual	57.2	91.2	49.5	51.6	66.7
Actual as a % of budget	67%	94%	65%	66%	66%

The balance on the Capital Fund at the end of the year was £880.1 million (2015/16: £867.4 million) and the cash remaining available for capital expenditure was £34.4 million (2015/16: £46.7 million).

Further information on capital and the consolidated loans fund is given in section 9.0.

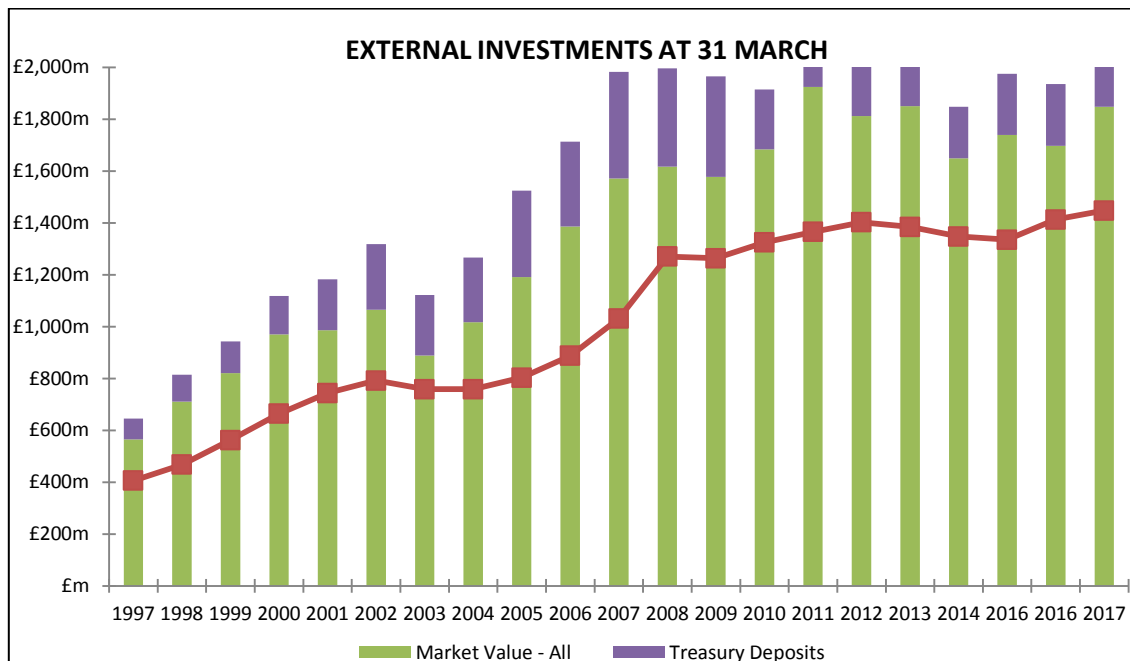


### 2.3.4 Reserve Funds

Treasury's investment strategies for the larger funds (which are invested by external investment managers) include exposure to equities and, although their market values can and have fluctuated downwards from time to time, the broad and long term trend has been upwards.

In 2016/17 the market value of the investments (net of transfers into and out of the funds) increased by £148.8 million to £1,607.6 million (2015/16: decrease of £43.1 million to £1,458.8 million). See note 7.14.2.

Treasury Deposits increased by £2.0 million to £240.3 million but that was net of a £10 million transfer to the Enterprise Development Fund (2015: increased by £1.6 million).



### 2.3.5 Transfers from Reserve Funds

The deficit for the year excluding reserve fund income was £59.1 million (2015/16: deficit of £271.4 million).

There was no requirement to transfer money from the Reserve Fund to balance the revenue position (2015/16 also nil) but there were transfers totalling £24.4 million to the other funds (2015/16 £2 million).

As a result, the retained balance on the General Revenue Account decreased by £2.7 million to £62.7 million (2015/16: increased by £19.9 million to £65.4 million).



### 2.3.6 Other Balances

#### Fixed Assets (Note 7.10)

The value of fixed assets decreased by £56.9 million to £2,197.4 million (2015/16: decreased by £20.1 million to £2,254.3 million) after depreciation charges of £95.2 million (2015/16 £96.9 million). During the year a revaluation of £6.6 million was applied, mainly in relation to properties. Depreciation of £4.9 million was charged on the revaluations, giving a net adjustment of £1.7 million.

#### Long Term Debtors (Note 7.16.1)

Long term debtors increased by £7.5 million to £557.9 million (2015/16: £550.4 million) predominantly due to capital loans to the Manx Utilities Authority.

#### General Revenue Adjustments Account (Note 7.23.2)

The balance on the General Revenue Adjustments Account decreased by £895.2 million to -£1,292 million mainly as a consequence of the movement in fixed assets and in pensions charges (2015/16: decreased by £1.8 million to -£396.9 million).

#### Internal Investments (Note 7.23.4)

The value of internal investments increased by £1.3 million to £55.9 million (2015/16: decrease of £16.7 million to £54.6 million, both net of expenditure) as a result of £14.4 million of transfers from the General Revenue Account to the reserve funds during the year.

#### Pension Scheme Liability (Note 7.24.4)

The pension scheme liability in respect of Government pension schemes increased by £832 million during the year to £3,823 million (2015/16: decreased by £18 million to £2,991 million), principally due to an actuarial loss of £723 million (2015/16 gain of £112 million).

The actuarial loss included a £746 million loss due to changes in financial assumptions, principally the Discount Rate which decreased over the period since 31 March 2016 due to a significant reduction in corporate bond yields and an increase in expected future CPI inflation.



## 2.4 Group Accounts

### 2.4.1 Contribution from Statutory Boards

The Group Accounts include transactions and balances in respect of the two non-revenue funded Statutory Boards (Manx Utilities Authority [MUA] and Isle of Man Post Office [IOMPO]), and the Government-owned companies (Radio Manx Limited, Laxey Glen Mills Limited and Isle of Man Film Limited).

The combined operational surplus for these bodies was £20.9 million (2015/16: surplus of £31.1 million).

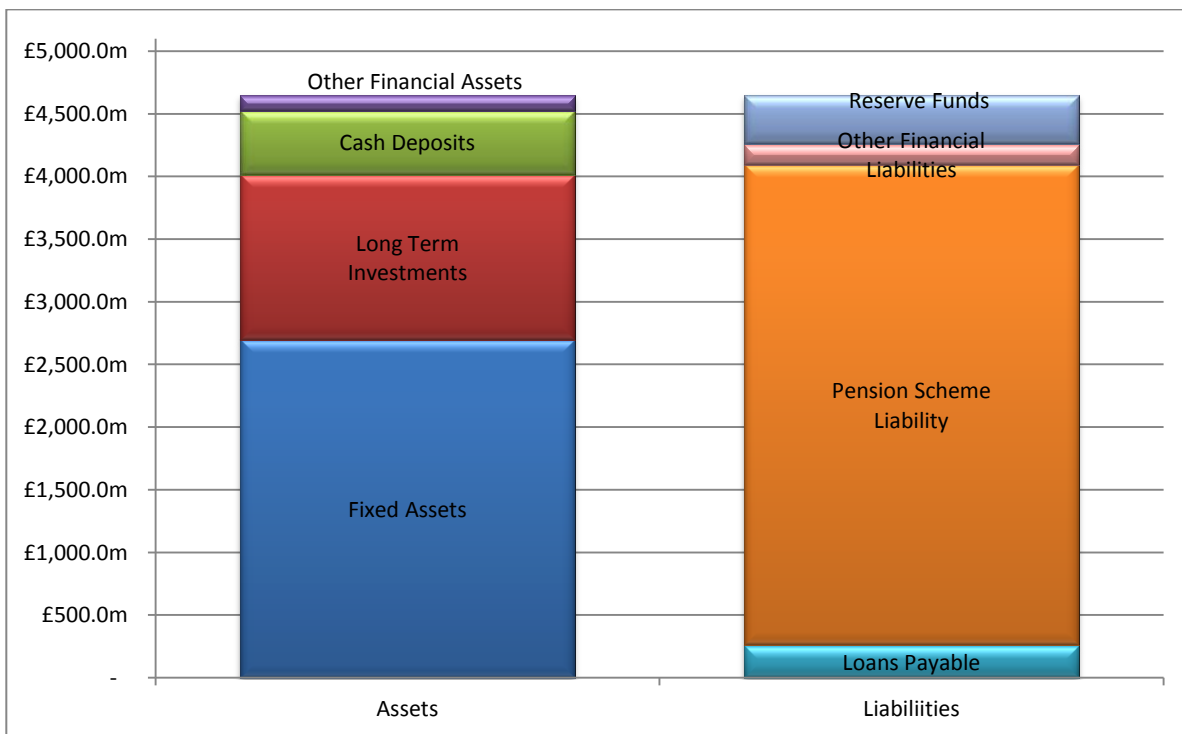
However, the surplus reduces to a net surplus of £10.5 million (2015/16: net surplus of £0.03 million) after taking into account net interest charges of £21.6 million (2015/16: £21.1 million), an unrealised gain on forward purchases of £7.4 million (2015/16 loss of £10.7 million), and an unrealised gain on investments of £3.7 million (2015/16 £2.2 million).

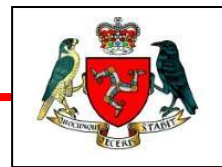
### 2.4.2 General Revenue Account

The results of the two non-revenue Statutory Boards and owned companies do not affect the balance on the Government's General Revenue Account as they are not funded and do not contribute directly to the General Revenue Account (with the exception of the annual dividend to Treasury from the Isle of Man Post Office, which is included with Treasury income).

### 2.4.3 Balance Sheet

The group balance sheet can be summarised as follows:





### 3 Statement of Responsibilities for the Statement of Accounts

#### The Treasury's Responsibilities

The Treasury is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. That Officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

#### The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Treasury's Statement of Accounts in accordance with applicable laws and regulations.

The Audit Act 2006 requires the Chief Financial Officer to prepare Accounts for each financial year, which meet the requirements of the Accounts and Audit Regulations 2013 (as amended). The regulations require the Chief Financial Officer to prepare the Accounts in accordance with United Kingdom Accounting Standards as applicable to an Isle of Man entity.

The Statement of Accounts are required by law to give a true and fair view of the financial position of the Isle of Man Government at the accounting date (31 March), and its income and expenditure for the year then ended.

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- complied with the Accounts and Audit Regulations 2013 (as amended).

The Chief Financial Officer has also:

- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that the Statement of Accounts presents fairly the financial position of the Isle of Man Government at 31 March 2017, and its income and expenditure for the year ended 31 March 2017.

#### Certificate

I certify that the Statement of Accounts give a true and fair view of the income and expenditure of Isle of Man Government for the year ended 31 March 2017 and the financial position of Isle of Man Government as at 31 March 2017.

A handwritten signature in blue ink, appearing to read 'S Lowe'.

#### S Lowe ACA

Chief Financial Officer

Treasury Department

Date: 11<sup>th</sup> October 2017.



## 4 Statement on Internal Control - Year ended 31 March 2017

### 4.1 Scope of Responsibility

The Chief Financial Officer is appointed in accordance with the Treasury Act 1985 as the principal financial adviser to the Treasury and acts as the Accounting Officer of the Department. The Chief Financial Officer is responsible for ensuring that Government business is conducted within an adequate system of internal control so as to give a reasonable assurance that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this responsibility, the Chief Financial Officer has received Statements on Internal Control or Assurance Certificates from the Accounting Officers of all parts of Government (being the designated bodies set out in the extract reproduced in the appendix); who have provided assurance that they, and their relevant financial and senior officers, have taken responsibility for having in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. This requirement is set out in the Isle of Man Government's Corporate Governance Principles and Code of Conduct prescribed by the Council of Ministers, and specified by the Direction of the Treasury through the Audit Act 2006.

In essence, the Statement on Internal Control can be seen as a means of measuring and evidencing the health of the Government in the context of the above obligations.

### 4.2 The Risk Management and Control Framework

The Government operates a control environment based upon the Civil Service Regulations, the Financial Regulations, a framework of functions and responsibilities delegated to individual officers within detailed job descriptions, codes of conduct and an internal reporting mechanism within each designated body through the relevant senior management teams to the Accounting Officer.

These foundations set the overall framework for internal control, and the particular responsibilities of the Ministers, Members, Accounting Officers, departmental committees, and officers in respect of the:

- accomplishment of established goals and objectives;
- compliance with policies, plans, procedures, law, and other regulations;
- reliability and integrity of management information;
- economical and efficient use of all resources; and
- safeguarding of all assets.

Individual responsibility and accountability for internal control is vested wholly in each individual Accounting Officer.

Treasury maintains a central accounting system through which all financial transactions undertaken by central Government Departments are made. The Manx Utilities Authority and the Isle of Man Post Office maintain their own accounting systems.

### 4.3 Review of Effectiveness

The Government's systems of internal control are designed to manage rather than eliminate the risk of failing to achieve objectives: they can only provide *reasonable* and not *absolute* assurance. Accordingly, reasonable assurance is given that, except for the matters listed below, the Government's corporate governance arrangements are adequate and operate effectively.

The review of the effectiveness of the Government's internal controls is informed by the work of the management of designated bodies, the Treasury's Audit Advisory Division, the public auditors and by other external inspection bodies. The established audit committees of the Manx Utilities Authority, Isle of Man Post Office and Financial Services Authority, further enhance control assurance in those organisations. The Statement on Internal Control or Assurance Certificate produced by each designated body is then used as a basis for this Government-wide Statement on Internal Control.





## Statement on Internal Control (Continued)

### 4.4 Management Assurances

To inform my review of effectiveness, I have considered the views of Accounting Officers and senior managers across Government, who have completed questionnaires which review internal control, risk management and corporate governance arrangements. In providing their assurances, the Accounting Officers and managers have given specific consideration to each of the following operating risks within their areas of responsibility:

- business continuity;
- performance management;
- financial management & compliance;
- procurement;
- information management
- value for money;
- human resources;
- change management;
- health and safety;
- environment; and
- corporate governance.

An Assurance Certificate or Statement on Internal Control for each designated body has been produced, derived from the self-review questionnaires completed for each of its functional areas, and covering each of the specific operating risks listed above. These returns have not identified any material areas of weakness in the Isle of Man Government system of internal control.

### 4.5 System of Internal Audit

In accordance with the Audit Act 2006, the Government maintains an internal audit system which operates in accordance with the Government Internal Audit Standards.

I am informed by the Director of Audit Advisory Division that the results of the work undertaken during the 2016/17 assurance programme provide adequate (reasonable) assurance on the overall adequacy and effectiveness of the Government's framework of governance, risk management and control with the exception of the Department of Health and Social Care Acute Services, due to a limitation of scope. Due to the level of ongoing independent inspection activity in this area, the Audit Strategy was adjusted to reduce the overall level of coverage and as such there has not been sufficient audit work undertaken to enable an overall assurance to be given.

In other cases where control weaknesses were identified, follow-up reviews indicated that suitable action had been taken by management to strengthen relevant internal controls.

However there have been instances over the period where concerns have been raised over the appropriate application of Treasury's Financial Regulations, in particular those relating to the procurement of goods and services. The overall financial control framework and in particular the policy and procedures in relation to Government's procurement activities are currently under review and it is anticipated that any identified revisions will commence to be implemented in the forthcoming financial year.

### 4.6 External Reviews

In addition to the internal review processes described above, the Government is subject to external review and assessment. Assurance is taken from these external reviews in respect of our adherence to and compliance with applicable international standards.

Government and its operations and governance are also subject to the parliamentary scrutiny of Tynwald. Accordingly, I have given appropriate consideration to any significant issues arising in Tynwald; and in particular to the work of the Standing Committee of Tynwald on Public Accounts; and the three Policy Review standing committees.



### Statement on Internal Control (Continued)

Potentially significant issues arising from external reviews which I consider to be relevant to this statement include:

- the interpretation of, and compliance with, Financial Regulations specifically relating to the procurement of goods and services;
- the issues raised by the West Midlands Quality Review Service in the reviews undertaken by them commissioned by the Department of Health and Social Care;
- the issues raised by the Council of Europe's MONEYVAL Committee.

#### 4.7 Planned Areas for Review

A continuous review of effectiveness is the responsibility of each Accounting Officer; as informed by the Audit Advisory Division of Treasury, external auditors, third party review and self-assessment. Each Accounting Officer must produce and put into effect plans to address control weaknesses when they arise (including those highlighted above) and must ensure continuous improvement of the systems and procedures in place

Signed: 

**S Lowe**  
Chief Financial Officer, Treasury

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### Appendix – Outline and definition of relevant Departments, Statutory Boards, Authorities and Bodies

The Isle of Man Corporate Governance Principles and Code of Conduct apply to all "designated bodies" and "departments of Government" within the meaning of the Treasury Act 1985. The following were "designated bodies" for the purpose of the 2016/17 SIC:

**all departments** (Cabinet Office; Department of Education and Children; Department of Economic Development; Department of Environment, Food and Agriculture; Department of Home Affairs; Department of Health and Social Care; Department of Infrastructure; and Treasury; that is the bodies established by the Government Departments Act 1987); Note that whilst Treasury is a Department and considered within the scope of the SIC, it is not a designated body within the meaning of the Treasury Act 1985.

**all Statutory Boards** (the Communications Commission; Financial Services Authority; Isle of Man Gambling Supervision Commission; Isle of Man Office of Fair Trading; Public Sector Pensions Authority; Isle of Man Post Office; and the Manx Utilities Authority, that is the bodies to whom the Statutory Boards Act 1987 applies).

**any other body or authority** (other than a local government body) constituted by any enactment for any purposes involving the expenditure of public moneys or the receipt of public moneys for the purposes of that body or authority or for the public revenue. For example Manx National Heritage or the Financial Intelligence Unit; and

**any other body designated** as such for the purposes of the Treasury Act 1985 by order of the Council of Ministers.

For the purposes of this document, the term "department of Government" includes the: Attorney General's Chambers, General Registry, Isle of Man Information Commissioner, Industrial Relations Service, Road Traffic Licensing Committee and Veterans' Welfare Service.



## **5 Report of the Independent Auditors, KPMG Audit LLC, to the Treasury Department of Isle of Man Government**

### **5.1 Introduction**

We have audited the consolidated financial statements of the Isle of Man Government ("Central Government") and the Statutory Boards together ("the Group") for the year ended 31 March 2017 which comprise the Income and Expenditure Accounts (Group and Central Government), the Statement of Total Movement on the General Revenue Account Balance (Group and Central Government), the Statement of Comprehensive Income (Group and Central Government), the Balance Sheet (Group and Central Government), the Statement of Changes in Equity, the Cash Flow Statement (Group and Central Government) and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards as applicable to an Isle of Man entity (as modified by any Directions issued by Treasury under Section 13 of the Audit Act 2006 and the requirements of the Accounts and Audit Regulations 2013 made under the Audit Act 2006).

This report is made solely to the Treasury, in accordance with Section 4 of the Audit Act 2006. Our audit work has been undertaken so that we might state to the Treasury those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Treasury, for our audit work, for this report, or for the opinions we have formed.

### **5.2 Respective responsibilities of Treasury and Auditor**

As explained more fully in the Responsibilities Statement set out on page 14, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

### **5.3 Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Treasury; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial commentary to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We report to you our opinion as to whether the Accounts give a true and fair view in accordance with United Kingdom Accounting Standards as applicable to an Isle of Man entity (as modified by any Directions issued by Treasury under Section 13 of the Audit Act 2006 and the requirements of the Accounts and Audit Regulations 2013 made under the Audit Act 2006), and comply with the requirements of any other statutory provision applicable to them.

We review whether the Statement of Internal Control prepared by the Treasury reflects compliance with the Accounts and Audit Regulations 2013 made under the Audit Act 2006. We report if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounts. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls.



## Report of the Independent Auditors, KPMG Audit LLC, to the Treasury Department of Isle of Man Government (continued)

### 5.4 Opinion on the Financial Statements

In our opinion the financial statements set out on pages 21 to 81:

- give a true and fair view of the state of the Isle of Man Government's affairs as at 31 March 2017 and of its deficit for the year then ended; and
- have been properly prepared in accordance with UK Accounting Standards as applicable to an Isle of Man entity, as modified by any Directions issued by Treasury under Section 13 of the Audit Act 2006 and the requirements of the Accounts and Audit Regulations 2013 made under the Audit Act 2006.

### 5.5 Matters on which we are required to report by exception

In accordance with sections 4 and 6 of the Audit Act 2006, we are required to include a statement in our audit report providing particulars where a relevant body has not complied with any principles or code of conduct prescribed by the Council of Ministers. As stated in paragraph 4.4 on page 16 of the financial statements, there were instances where Treasury's Financial Regulations were not appropriately applied, including those relating to the procurement of goods and services.

Specific issues identified during the previous period and to the date of this report include the following:

1. Following a dispute between the Department of Economic Development and an event promoter in respect of events held in September 2014 and July 2016, allegations have been made that financial regulations were breached. In response to these allegations, a financial governance review has been undertaken by the Audit Advisory Division of Treasury. This review has highlighted certain areas of non-compliance with the FD8 Financial Regulations in respect of the event which was held in September 2014

KPMG Audit LLC

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Date:

17 October 2017



*Isle of Man Government Accounts continue on next page*



## 6 Statement of Accounts

### 6.1 Income and Expenditure Account – Summary

INCOME & EXPENDITURE ACCOUNT RECONCILIATION						
A	2016-17					Government Audited Accounts G £000
	Detailed Government Accounts B £000	Adjustments			Consolidation F £000	
		Fixed Assets C £000	Pensions D £000	Other E £000		
<b>Treasury Department</b>						
Customs and Excise	348,549	-	-	(1,710)	-	346,839
Income Tax	216,819	-	-	2,798	-	219,617
Social Security	210,138	-	-	-	-	210,138
Other Treasury Income	11,341	-	-	(322)	(1,500)	9,519
Treasury Reserves Income	-	-	-	67,589	-	67,589
<b>Total Treasury Income</b>	<b>786,847</b>	<b>-</b>	<b>-</b>	<b>68,355</b>	<b>(1,500)</b>	<b>853,702</b>
<b>Other Departments</b>						
Cabinet Office	(30,385)	(318)	(3,362)	20	-	(34,045)
Economic Development	(2,646)	(495)	(2,428)	(65)	-	(5,634)
Education & Children	(95,418)	(9,481)	(16,650)	(29)	-	(121,578)
Environment, Food & Agriculture	(14,783)	(276)	(1,496)	(16)	-	(16,571)
Health & Social Care	(209,583)	(3,795)	(26,014)	(1,993)	-	(241,385)
Home Affairs	(31,528)	(1,872)	(6,942)	(349)	-	(40,691)
Infrastructure	(53,529)	(61,084)	(8,213)	2,878	-	(119,948)
Treasury Gross Expenditure	(309,808)	163	(3,067)	(8,681)	3,075	(318,318)
	<b>(747,680)</b>	<b>(77,158)</b>	<b>(68,172)</b>	<b>(8,235)</b>	<b>3,075</b>	<b>(898,170)</b>
<b>Other bodies</b>						
Executive Government	(9,029)	(1)	67,010	(21)	-	57,959
Manx National Heritage	(4,285)	39	(642)	4	-	(4,884)
Road Transport Licensing Committee	(85)	-	(20)	-	-	(105)
Statutory Boards (Revenue Funded)	409	(8)	(1,546)	16	-	(1,129)
	<b>(12,990)</b>	<b>30</b>	<b>64,802</b>	<b>(1)</b>	<b>-</b>	<b>51,841</b>
<b>Expenses of the Legislature</b>	<b>(4,448)</b>	<b>340</b>	<b>(630)</b>	<b>(1)</b>	<b>-</b>	<b>(4,739)</b>
<b>Net Voted Income/(Expenditure)</b>	<b>21,729</b>	<b>(76,788)</b>	<b>(4,000)</b>	<b>60,118</b>	<b>1,575</b>	<b>2,634</b>
<b>Statutory Boards (Non-Revenue Funded)</b>						
Isle of Man Post Office	-	-	-	-	1,408	1,408
Manx Utilities Authority	-	-	-	-	15,986	15,986
	-	-	-	-	<b>17,394</b>	<b>17,394</b>
<b>Owned Companies</b>						
Laxey Glen Mills Limited	-	-	-	-	(41)	(41)
Radio Manx Limited	-	-	-	-	(957)	(957)
	-	-	-	-	<b>(998)</b>	<b>(998)</b>
Interest payable and similar charges	-	-	(105,000)	(1,791)	(17,742)	(124,533)
Interest and investment income	-	-	-	-	1,735	1,735
Gain on forward purchases	-	-	-	-	7,368	7,368
Unrealised gain on investments	-	-	-	114,254	-	114,254
<b>Total Surplus/(Deficit)</b>	<b>21,729</b>	<b>(76,788)</b>	<b>(109,000)</b>	<b>172,581</b>	<b>9,332</b>	<b>17,854</b>
<b>Statement of Total Movement in General Revenue Account Balance</b>						
Depreciation and impairment of fixed assets	-	95,609	-	-	-	95,609
Net loss on disposal of fixed assets	-	(654)	-	-	-	(654)
Net charges made for retirement benefits	-	-	109,000	-	-	109,000
Unrealised gain on investments	-	-	-	(114,254)	-	(114,254)
Other adjustments	-	-	-	(1,581)	-	(1,581)
Loan Charges for Capital Financing	-	(31,750)	-	-	-	(31,750)
Net Capital Expenditure charge in-year	-	9,622	-	-	-	9,622
Net transfer to earmarked reserves	-	-	-	(77,185)	(9,332)	(86,517)
<b>Increase/(Decrease) in General Revenue Account</b>	<b>21,729</b>	<b>(3,961)</b>	<b>-</b>	<b>(20,439)</b>	<b>-</b>	<b>(2,671)</b>

All results derive from continuing activities. The Notes on pages 30 to 81 form part of these Accounts.



**Notes:**

- i. Column B shows the amounts originally reported in the Detailed Government Accounts (GD 2017/0024) in July 2017, showing the Surplus of £21.729 million.
- ii. Column C shows the adjustments applied to Department expenditure in respect of fixed assets.
- iii. Column D shows the adjustments applied to Department expenditure in respect of pension costs.
- iv. Column E shows the adjustments applied to Department net expenditure in respect of other adjustments required to comply with Accounting Standard FRS102. The main adjustments are recognising total income from Government reserves and inclusion of certain amounts which will be repayable (debts) to Government.
- v. Column F shows the adjustments in respect of the additional bodies included with the audited Government Accounts and adjusts gross expenditure where one part of Government is paying another part of Government, to avoid double counting of income and expenditure.
- vi. Column G shows the adjusted amounts presented in the Group Income and Expenditure Account shown on page 23.
- vii. The adjustments shown in Columns C, D, E and F are reversed in the Statement of Total Movement on the General Revenue Account Balance on page 25 of the audited Government Accounts, to result in the 'Increase/(decrease) in General Revenue Account balance', the resultant surplus for the year of £13.9 million.



## 6.2 Income and Expenditure Account – Group

<b>INCOME &amp; EXPENDITURE ACCOUNT</b>					
	<i>Note</i>	<b>Group</b>			
		<b>2016-17</b>			<b>2015-16</b>
		<b>Gross Spend £000</b>	<b>Gross Income £000</b>	<b>Net (Spend)/ Income £000</b>	<b>Net (Spend)/ Income £000</b>
<b>Treasury Department</b>					
Customs and Excise	7.3.1	-	346,839	<b>346,839</b>	350,253
Income Tax	7.3.2	-	219,617	<b>219,617</b>	201,955
Social Security	7.3.3	-	210,138	<b>210,138</b>	202,229
Other Treasury Income	7.3.4	-	9,519	<b>9,519</b>	8,911
Treasury Reserves Income	7.3.5	-	67,589	<b>67,589</b>	86,224
<b>Sub-Total Treasury Income</b>		<b>-</b>	<b>853,702</b>	<b>853,702</b>	<b>849,572</b>
<b>Government Departments</b>					
Cabinet Office		(35,670)	1,625	<b>(34,045)</b>	(26,061)
Economic Development		(35,698)	30,064	<b>(5,634)</b>	(5,233)
Education & Children		(125,156)	3,578	<b>(121,578)</b>	(114,227)
Environment, Food & Agriculture		(19,859)	3,288	<b>(16,571)</b>	(13,881)
Health & Social Care		(294,857)	53,472	<b>(241,385)</b>	(230,442)
Home Affairs		(41,855)	1,164	<b>(40,691)</b>	(38,369)
Infrastructure		(174,552)	54,604	<b>(119,948)</b>	(110,015)
Treasury Gross Expenditure		(318,318)	-	<b>(318,318)</b>	(302,415)
<b>Sub-total Government Departments</b>		<b>(1,045,965)</b>	<b>147,795</b>	<b>(898,170)</b>	<b>(840,643)</b>
<b>Other Bodies</b>					
Executive Government		(4,165)	62,124	<b>57,959</b>	26,424
Manx National Heritage		(5,754)	870	<b>(4,884)</b>	(3,949)
Road Transport Licensing Comm.		(157)	52	<b>(105)</b>	(104)
Statutory Boards (Revenue Funded)		(9,850)	8,721	<b>(1,129)</b>	(781)
<b>Sub-total Other Bodies</b>		<b>(19,926)</b>	<b>71,767</b>	<b>51,841</b>	<b>21,590</b>
Legislature		(4,807)	68	<b>(4,739)</b>	(4,388)
<b>Sub-total Central Government</b>	7.4.2	<b>(1,070,698)</b>	<b>1,073,332</b>	<b>2,634</b>	<b>26,131</b>
<b>Statutory Boards (Non-Revenue Funded)</b>					
Isle of Man Post Office		-	1,408	<b>1,408</b>	1,005
Manx Utilities Authority		-	15,986	<b>15,986</b>	26,807
		<b>-</b>	<b>17,394</b>	<b>17,394</b>	<b>27,812</b>
<b>Owned Companies</b>					
Isle of Man Film Limited		(55)	55	-	-
Isle of Man Limited		-	-	-	-
Isle of Man National Transport Limited		-	-	-	-
Laxey Glen Mills Limited		(41)	-	<b>(41)</b>	(26)
Radio Manx Limited		(957)	-	<b>(957)</b>	(924)
		<b>(1,053)</b>	<b>55</b>	<b>(998)</b>	<b>(950)</b>
<b>Surplus/(Deficit) before Interest</b>		<b>(1,071,751)</b>	<b>1,090,781</b>	<b>19,030</b>	<b>52,993</b>
Interest payable and similar charges	7.7	(121,940)	-	<b>(121,940)</b>	(109,174)
Interest and investment income		-	1,735	<b>1,735</b>	751
Gain/(loss) on forward purchases		-	7,368	<b>7,368</b>	(10,716)
Unrealised gain/(loss) on investments		-	114,254	<b>114,254</b>	(120,995)
<b>Surplus/(Deficit) for the year</b>		<b>(1,193,691)</b>	<b>1,214,138</b>	<b>20,447</b>	<b>(187,141)</b>

All results derive from continuing activities. The Notes on pages 30 to 81 form part of these Accounts.





### 6.3 Income and Expenditure Account – Central Government

INCOME AND EXPENDITURE ACCOUNT					
	Note	Central Government			
		2016/17			2015/16
		Gross Spend £000	Gross Income £000	Net (Spend)/ Income £000	Net (Spend)/ Income £000
<b>Treasury Department</b>					
Customs and Excise	7.3.1	-	346,839	346,839	350,253
Income Tax	7.3.2	-	219,617	219,617	201,955
Social Security	7.3.3	-	210,138	210,138	202,229
Other Treasury Income	7.3.4	-	11,019	11,019	10,626
Treasury Reserves Income	7.3.5	-	67,589	67,589	86,224
<b>Total Treasury Income</b>		-	<b>855,202</b>	<b>855,202</b>	<b>851,287</b>
<b>Other Departments</b>					
Cabinet Office	8.2	(35,670)	1,625	(34,045)	(26,061)
Economic Development	8.2	(35,698)	30,064	(5,634)	(5,233)
Education & Children	8.2	(125,156)	3,578	(121,578)	(114,227)
Environment, Food & Agriculture	8.2	(19,859)	3,288	(16,571)	(13,881)
Health & Social Care	8.2	(294,857)	53,472	(241,385)	(230,442)
Home Affairs	8.2	(41,855)	1,164	(40,691)	(38,369)
Infrastructure	8.2	(174,552)	54,604	(119,948)	(110,015)
Treasury Gross Expenditure	8.2	(321,393)	-	(321,393)	(306,604)
<b>Sub-total Government Departments</b>		<b>(1,049,040)</b>	<b>147,795</b>	<b>(901,245)</b>	<b>(844,832)</b>
<b>Other bodies</b>					
Executive Government	8.2	(4,165)	62,124	57,959	26,424
Manx National Heritage	8.2	(5,754)	870	(4,884)	(3,949)
Road Transport Licensing Committee	8.2	(157)	52	(105)	(104)
Statutory Boards (Revenue Funded)	8.2	(9,850)	8,721	(1,129)	(781)
		<b>(19,926)</b>	<b>71,767</b>	<b>51,841</b>	<b>21,590</b>
Legislature	8.2	(4,807)	68	(4,739)	(4,388)
<b>Total Expenditure</b>	8.2	<b>(1,073,773)</b>	<b>219,630</b>	<b>(854,143)</b>	<b>(827,630)</b>
<b>Net Expenditure</b>	7.4.2	<b>(1,073,773)</b>	<b>1,074,832</b>	<b>1,059</b>	<b>23,657</b>
<b>Surplus before Interest</b>		<b>(1,073,773)</b>	<b>1,074,832</b>	<b>1,059</b>	<b>23,657</b>
Interest payable and similar charges	7.7	(106,791)	-	(106,791)	(87,885)
Unrealised gain/(loss) on investments		-	114,241	114,241	(120,995)
<b>Surplus / (Deficit) for the year</b>		<b>(1,180,564)</b>	<b>1,189,073</b>	<b>8,509</b>	<b>(185,223)</b>

All results derive from continuing activities. The Notes on pages 30 to 81 form part of these Accounts.



#### 6.4 Statement of Total Movement on the General Revenue Account Balance

<b>MOVEMENT ON THE GENERAL REVENUE ACCOUNT BALANCE</b>				
	<b>Group</b>		<b>Central Government</b>	
	<b>2016-17 £000</b>	<b>2015-16 £000</b>	<b>2016-17 £000</b>	<b>2015-16 £000</b>
<b>Amounts included in the Income and Expenditure Account but required to be excluded when determining the movement on the General Revenue Account balance for the year</b>				
- Depreciation and impairment of fixed assets	95,609	97,220	95,609	97,220
- Net (gain) or loss on disposal of fixed assets	(654)	259	(654)	259
- Net charges made for retirement benefits	109,000	94,000	109,000	94,000
- Unrealised (gain)/loss on investments	(114,254)	120,995	(114,241)	120,995
- Other adjustments	(1,581)	361	(1,581)	361
	<b>88,120</b>	<b>312,835</b>	<b>88,133</b>	<b>312,835</b>
<b>Amounts not included in the Income and Expenditure Account but required to be included when determining the movement on the General Revenue Account balance for the year</b>				
- Loan Charges for Capital Financing	(27,789)	36,822	(27,789)	36,822
- Net Capital Expenditure charge in-year to the General Revenue Adjustment Account	9,622	(59,714)	9,622	(59,714)
	<b>(18,167)</b>	<b>(22,892)</b>	<b>(18,167)</b>	<b>(22,892)</b>
<b>Transfers that are required to be taken into account when determining the movement on the General Revenue Account balance for the year</b>				
- Net transfer to reserves	(93,071)	(82,932)	(81,146)	(84,850)
	<b>(93,071)</b>	<b>(82,932)</b>	<b>(81,146)</b>	<b>(84,850)</b>
<b>Net additional amount required to be credited / (charged) to the General Revenue Account balance</b>	<b>(23,118)</b>	<b>207,011</b>	<b>(11,180)</b>	<b>205,093</b>
(Deficit)/Surplus for the year on the Income and Expenditure Account	20,447	(187,141)	8,509	(185,223)
<b>Decrease/(increase) in General Revenue Account balance for the year</b>	<b>(2,671)</b>	<b>19,870</b>	<b>(2,671)</b>	<b>19,870</b>
- General Revenue Account balance brought forward	65,387	45,517	65,387	45,517
<b>General Revenue Account balance carried forward</b>	<b>62,716</b>	<b>65,387</b>	<b>62,716</b>	<b>65,387</b>

The Notes on pages 30 to 81 form part of these Accounts.



## 6.5 Statement of Comprehensive Income

<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
	<b>Group</b>		<b>Central Government</b>	
	<b>2016-17 £000</b>	<b>2015-16 £000</b>	<b>2016-17 £000</b>	<b>2015-16 £000</b>
Income and Expenditure Account – surplus/(deficit) for the year	20,447	(187,141)	8,509	(185,223)
<b>Other Comprehensive Income:</b>				
- Surplus on revaluation of fixed assets	1,802	48,041	1,727	48,046
- Re-measurement of net defined benefit obligation	(731,308)	114,160	(723,000)	112,000
Total other comprehensive income for the year	<b>(729,506)</b>	<b>162,201</b>	<b>(721,273)</b>	<b>160,046</b>
<b>Total comprehensive income for the year</b>	<b>(709,059)</b>	<b>(24,940)</b>	<b>(712,764)</b>	<b>(25,177)</b>

The Notes on pages 30 to 81 form part of these Accounts.





## 6.6 Balance Sheet

<b>BALANCE SHEET</b>					
	Note	Group		Central Government	
		2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
<b>Long Term Assets</b>					
Fixed Assets	7.10	2,698,669	2,759,966	2,197,388	2,254,297
Long Term Investments	7.14.1	1,320,612	934,945	1,320,612	934,945
Long Term Debtors	7.16.1	26,290	26,005	557,891	550,416
		<b>4,045,571</b>	<b>3,720,916</b>	<b>4,075,891</b>	<b>3,739,658</b>
<b>Current Assets</b>					
Stocks and Work in Progress	7.17	12,900	11,720	5,534	4,675
Debtors and Prepayments	7.16.2	78,984	87,585	61,997	70,924
Financial Assets		2,634	-	-	-
Short Term Deposits		265,797	262,029	265,798	260,529
Cash at Bank and in Hand	7.18	247,894	487,529	216,419	456,015
		<b>608,209</b>	<b>848,863</b>	<b>549,748</b>	<b>792,143</b>
<b>Current Liabilities</b>					
Creditors	7.19.1	(65,458)	(60,669)	(51,575)	(42,525)
Finance Debt	7.19.1	(7,907)	(14,302)	(1,713)	(1,613)
Loans Payable		(165)	(74)	-	-
Bank Overdrafts		(15,010)	(21,647)	(14,943)	(21,512)
		<b>(88,540)</b>	<b>(96,692)</b>	<b>(68,231)</b>	<b>(65,650)</b>
<b>Net Current Assets</b>					
		<b>519,669</b>	<b>752,171</b>	<b>481,517</b>	<b>726,493</b>
<b>Long Term Liabilities</b>					
Loans Payable	7.21.2	(262,540)	(262,837)	(260,000)	(260,000)
Pension Scheme Liability	7.24.3	(3,836,189)	(2,995,176)	(3,823,000)	(2,991,000)
Finance Debt	7.19.2	(54,258)	(61,173)	(27,456)	(29,169)
Deferred Income	7.19.2	(12,595)	(12,425)	-	-
		<b>(4,165,582)</b>	<b>(3,331,611)</b>	<b>(4,110,456)</b>	<b>(3,280,169)</b>
<b>Total Net Assets</b>					
		<b>399,658</b>	<b>1,141,476</b>	<b>446,952</b>	<b>1,185,982</b>
<b>Represented by</b>					
Net General Revenue Account		62,716	65,387	62,716	65,387
General Revenue Adjustments Account	7.23.2	(1,290,208)	(395,014)	(1,292,151)	(396,948)
Hospital Estates Development Fund	7.14.5 i	38,820	40,746	38,820	40,746
Manx Currency Account	7.14.5 i	82,238	82,087	82,238	82,087
Media Development Fund	7.14.5 i	22,743	24,944	22,743	24,944
National Insurance Fund	7.14.5 ii	850,986	745,361	850,986	745,361
Public Service Employees Pension Reserve	7.14.5 i	181,382	191,575	181,382	191,575
Reserve Fund	7.14.5 i	375,686	331,046	375,686	331,046
MUA Bond Repayment Fund	7.14.5 i	58,842	47,179	58,842	47,179
Enterprise Development Fund	7.14.5 i	9,736	-	9,736	-
Internal Funds and Reserves	7.23.5	6,717	8,165	55,954	54,605
		<b>399,658</b>	<b>1,141,476</b>	<b>446,952</b>	<b>1,185,982</b>

The notes on pages 30 to 81 form part of these Accounts.

The Accounts were approved by the Treasury on 27 September 2017 and signed on its behalf by:

Hon. A L Cannan, MHK, Minister for the Treasury

S Lowe, Chief Financial Officer



## 6.7 Cash Flow Statement

<b>CASH FLOW STATEMENT</b>					
	<i>Note</i>	<b>Group</b>		<b>Central Government</b>	
		<b>2016-17 £000</b>	<b>2015-16 £000</b>	<b>2016-17 £000</b>	<b>2015-16 £000</b>
<b>Net Cash Inflow / (Outflow) from Operating Activities</b>	7.29	<b>54,732</b>	<b>58,155</b>	<b>10,214</b>	<b>21,005</b>
<b>Cash flow from Investing Activities</b>					
Interest received		16,680	8,656	26,842	22,429
Investment income		71,426	86,047	71,425	86,047
Net (purchases)/sales of investments		(281,608)	124,721	(271,400)	153,970
Payments to acquire tangible fixed assets		(149,689)	(64,475)	(130,858)	(45,441)
Proceeds from disposal of tangible fixed assets		1,684	4,637	1,447	2,926
Repayments		78,812	4,800	78,732	4,722
Deferred income received - customers' contributions		507	507	-	-
<b>Net cash generated from investing activities</b>		<b>(262,188)</b>	<b>164,893</b>	<b>(223,812)</b>	<b>224,653</b>
<b>Cash flow from Financing Activities</b>					
Repayment of loan		(3,706)	(15,007)	-	-
New loan finance arranged		25,269	12,544	-	-
Repayment of lease finance		(7,988)	(1,983)	1,616	1,517
Interest paid		(19,258)	(21,559)	(14,163)	(14,163)
<b>Net cash used in financing activities</b>		<b>(5,683)</b>	<b>(26,005)</b>	<b>(12,547)</b>	<b>(12,646)</b>
Net increase/(decrease) in cash & cash equivalents		(213,139)	197,043	(226,145)	233,012
Cash and cash equivalents at the beginning of the year		389,525	192,345	404,250	171,238
Exchange gains/(losses) on cash and cash equivalents		59	137	-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>176,445</b>	<b>389,525</b>	<b>178,105</b>	<b>404,250</b>
<b>Cash and cash equivalents comprises:</b>					
Cash Balances	7.18.1	247,894	487,529	216,419	456,015
Short term deposits (maturity of 3 months or less)		265,797	262,029	265,798	260,529
Bank Overdrafts and Loans Payable	7.18.2	(337,246)	(360,033)	(304,112)	(312,294)
<b>Total</b>		<b>176,445</b>	<b>389,525</b>	<b>178,105</b>	<b>404,250</b>

Presentation of the prior year Group figure has been adjusted to include the MUA Loan Balances and movement.

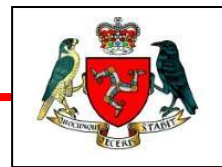
The Notes on pages 30 to 81 form part of these Accounts.



**6.8 Statement of Changes in Equity**

<b>STATEMENT OF CHANGES IN EQUITY - GROUP</b>					
	<b>Net General Revenue Account £000</b>	<b>General Revenue Adjustments Account £000</b>	<b>External Funds £000</b>	<b>Internal Funds and Reserves £000</b>	<b>Total Equity £000</b>
<b>Balance at 31 Mar 15</b>	45,517	(396,833)	1,501,186	69,544	1,219,414
<b>2015-16</b>					
Surplus/(Deficit) for the year	21,871	(170,069)	(42,100)	3,157	(187,141)
Other Comprehensive Income	-	160,046	-	2,155	162,201
<b>Total Comprehensive Income</b>	<b>21,871</b>	<b>(10,023)</b>	<b>(42,100)</b>	<b>5,312</b>	<b>(24,940)</b>
Transfers	(2,001)	11,842	3,852	(66,691)	(52,998)
<b>Total adjustment during the year</b>	<b>19,870</b>	<b>1,819</b>	<b>(38,248)</b>	<b>(61,379)</b>	<b>(77,938)</b>
<b>Balance at 31 Mar 16</b>	<b>65,387</b>	<b>(395,014)</b>	<b>1,462,938</b>	<b>8,165</b>	<b>1,141,476</b>
<b>2016-17</b>					
Surplus/(Deficit) for the year	21,729	(185,327)	168,455	15,590	20,447
Other Comprehensive Income	-	(721,273)	-	(8,233)	(729,506)
<b>Total Comprehensive Income</b>	<b>21,729</b>	<b>(906,600)</b>	<b>168,455</b>	<b>7,357</b>	<b>(709,059)</b>
Transfers	(24,400)	11,406	(10,960)	(8,805)	(32,759)
<b>Total adjustment during the year</b>	<b>(2,671)</b>	<b>(895,194)</b>	<b>157,495</b>	<b>(1,448)</b>	<b>(741,818)</b>
<b>Balance at 31 Mar 17</b>	<b>62,716</b>	<b>(1,290,208)</b>	<b>1,620,433</b>	<b>6,717</b>	<b>399,658</b>

The Notes on pages 30 to 81 form part of these Accounts.



## 7 Notes to the Statement of Accounts

### 7.1 Accounting Policies

#### 7.1.1 Basis of Preparation

The Statement of Accounts has been prepared on a going concern basis and under the historical cost convention, as modified by the recognition of certain assets and liabilities measured at fair value.

The Accounts have been drawn up in accordance with the Audit Act 2006 and the Accounts and Audit Regulations 2013 (as amended) as representing proper accounting practices, unless superseded by United Kingdom Accounting Standards.

The Accounts have also been prepared in compliance with United Kingdom Accounting Standards as applicable to an Isle of Man Entity, including Financial Reporting Standard 102 (FRS102).

The principal accounting policies applied in presentation of these Statement of Accounts are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The preparation of these Statement of Accounts requires the use of certain critical accounting estimates. It also requires Government to exercise its judgement in the process of applying the Group and Central Government accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Statement of Accounts, are disclosed in Note 7.2.

#### 7.1.2 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for the below items:

- Direct and indirect taxes are accounted for as income during the year in which the assessments are raised and issued;
- Fees, charges and rents due from customers are accounted for as income at the date the Government provides the relevant goods or services;

#### 7.1.3 Interest Income

Interest income is recognised using the effective interest rate method.

#### 7.1.4 Borrowing costs

All borrowing costs are recognised in the Income and Expenditure Account in the period in which they are incurred.

#### 7.1.5 Tangible Fixed Assets

##### Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets has been capitalised on an accruals basis. Where such expenditure is less than a specified de-minimis level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred. Capital expenditure incurred on fixed assets that does not materially add to the value of those assets is written off to the Income and Expenditure Account.

All other tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Where such expenditure is less than a specified de-minimus level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred.



## Depreciation

Depreciation is provided on all assets with a finite useful life, other than freehold land. Depreciation is calculated from the date of valuation based on the remaining useful economic life of the asset.

Where depreciation is provided for, assets are depreciated by applying the straight line method to Balance Sheet values over periods reflecting their estimated useful lives. The following estimated useful lives are applied:

Depreciation Policy – Tangible Assets	
	Years
<b>Land and Buildings</b>	
Land (freehold)	None
Buildings (freehold)	10-50 years
Land and Buildings (leasehold)	Over period of lease
<b>Vehicles, Plant and Equipment</b>	
Vehicles	4-7 years
Plant – short term	5-10 years
Plant – long term	20-25 years
<b>Infrastructure Assets</b>	
Coastal Defences	60 years
Distribution networks	40-60 years
Highways	20-30 years
Railway Permanent Way	20-40 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each year. The effect of any change is accounted for prospectively.

## Revaluation

Certain long term assets and assets without a relevant purchase cost have been valued by suitably qualified valuers within Government. Any gain on revaluation has been applied to the Statement of Other Comprehensive Income. Where valuers are unable to provide a definitive value, for example due to the non-existence of comparable assets or any active market for sale of the assets, the value is determined by the Treasury Department on a best estimate basis, taking into account factors such as replacement costs. Revaluation of fixed assets takes place across each Government Department, on a Department by Department basis. Revaluations shall be made on a three to five year cycle to ensure that the carrying amount does not differ materially from that which would be determined using fair value.

## Subsequent Additions and Major Components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Group and the cost can be measured reliably. The carrying amount of any replaced asset is derecognised. Where such expenditure is less than a specified de-minimus level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred.

Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

## Assets in the Course of Construction

Expenditure on assets in the course of construction is included within Tangible Fixed Assets. These assets are not depreciated until they are available for use. Where such expenditure is less than a specified de-minimus level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred.





**Impairment**

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each year. Where values have changed materially in the year, the valuations are adjusted to reflect the change. When a major change in asset values occurs due to physical damage etc. the impairment loss is recognised in the Income and Expenditure Account.

For items not carried at fair value, the carrying amount is compared to the recoverable amount to determine any impairment indication. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset’s continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income and Expenditure Account.

**Disposals**

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the sale proceeds and current carrying value of the asset disposed (i.e. the gain or loss on disposal) is applied to the Income and Expenditure Account.

**7.1.6 Heritage Assets**

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Non-operational assets are those held primarily for this purpose. Operational heritage assets are those that are also used for other activities or to provide other services. Operational heritage assets are accounted for within the principal asset category to which they relate.

Non-operational assets (including for example works of art and antiques), have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or the level of costs of valuation greatly exceed the additional benefits derived by users of the accounts. In these cases, no value is reported for these assets in the Balance Sheet. Information about the non-operational heritage assets is included in Note 7.11.

**7.1.7 Intangible Fixed Assets**

**Recognition**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives.

Costs associated with the acquisition, creation or enhancement of intangible fixed assets has been capitalised on an accruals basis. Where such expenditure is less than a specified de-minimus level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred. Capital expenditure incurred on intangible fixed assets that does not materially add to the value of those assets is written off to the Income and Expenditure Account.

The following estimated useful lives are applied:

<b>Depreciation Policy - Intangible Assets</b>	
	<b>Years</b>
Software	3 years
Licences	3 years, or period of licence



Amortisation is charged to the Income and Expenditure Account. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

### **Impairment**

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each year. Where values have changed materially in the year, the valuations are adjusted to reflect the change. When a major change in asset values is due to a consumption of economic benefits, the impairment loss is recognised in the Income and Expenditure Account.

### **7.1.8 Leases**

The Government has acquired a variety of assets ranging from vehicles to computer equipment by means of leases. These transfer the risks and rewards of ownership without transferring title of the assets.

#### **Finance Leases**

Assets acquired under finance leases are capitalised at commencement of the lease and included in the Balance Sheet except for leases that are in secondary rental periods, where there are no future obligations of material significance.

Finance leases capitalised are recognised at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets acquired under finance leases are depreciated over the lease period if this is shorter than their estimated useful life.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

#### **Operating Leases**

Operating leases are those leases that do not transfer the risks and rewards of ownership to the Government. Rentals payable, net of benefits received or receivable (such as cash incentives or rent free periods), are charged to the Income and Expenditure Account on a straight line basis over the lease term and transactions are disclosed as a Note to the Accounts.

### **7.1.9 Financial Instruments**

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### **Financial Assets**

Basic financial assets, including loan receivables, trade and other receivables, short term deposits and cash at bank, are initially recognised at transaction price, unless the arrangement constitutes a financing arrangement, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Income and Expenditure Account.

Other financial assets, including investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Income and Expenditure Account, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.



### **Financial Assets (continued)**

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of ownership of the asset are transferred to another party or (iii) despite having retained some significant risk and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

### **Financial Liabilities**

Basic financial liabilities, including creditors and loans payable, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives are not basic financial instruments. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Income and Expenditure Account in finance costs or finance income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, which is when the contractual obligation is discharged, cancelled or expires.

### **Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **7.1.10 Deferred Income**

Customer contributions in respect of tangible assets are treated as deferred income. Deferred income is released to the Income and Expenditure Account over a 40 year period.

#### **7.1.11 Value Added Tax**

Value Added Tax on expenditure is included in the Income and Expenditure Account, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

#### **7.1.12 Stocks and Work in Progress**

Stocks and work in progress have been valued at the lower of cost and estimated selling price less costs to sell. They are recognised as an expense in the period in which the related revenue is recognised.

At the end of each reporting period inventories are assessed for impairment. A provision is made against slow-moving, obsolete, surplus, deteriorated and unusable stocks at the end of the reporting period.

Where a reversal of the provision is required the charge is reversed up to the original provision, and is recognised as a credit in the Income and Expenditure Account.

#### **7.1.13 Cash and Cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.



#### **7.1.14 Foreign Currency**

The Accounts are presented in pound sterling and rounded to thousands. The Group and Central Government's functional and presentation currency is the pound sterling.

Income and expenditure arising from a transaction in foreign currency is translated into Sterling at the exchange rate in operation on the date on which the transaction occurred. Where rates do not fluctuate significantly, an appropriate average rate is used as an approximation. Monetary assets and liabilities held in a foreign currency at the Balance Sheet date are translated by using the closing rate or any fixed rate imposed by the relevant transactions.

Differences on translation of balances from foreign currencies to Sterling relating to Government income and expenditure are applied to the Income and Expenditure Account. Generally, transactions and balances are denominated in Sterling and differences arising on translation to Sterling are negligible.

Differences arising on financial assets denominated in non-Sterling currencies held by external investment managers are applied to the reserve funds that the underlying assets relate to.

#### **7.1.15 Short Term Benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

#### **7.1.16 Pension Costs**

Government operates a defined benefit plan for employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually Government engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and have terms approximating the estimated period of future payments (discount rate).

The fair value of plan assets is measured in accordance with FRS 102 fair value hierarchy and in accordance with Government's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Re-measurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in Income and Expenditure Account as employee costs, where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in Income and Expenditure as 'Interest payable and similar charges'



### **7.1.17 Reserves**

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. The Government maintains the following significant reserves:

- Manx Currency Account – to provide asset backing for Manx Currency issued by the Treasury under the Currency Act 1992;
- National Insurance Fund – to meet certain on-going social security liabilities for payment of contributory benefit liabilities;
- Public Service Employees' Pension Reserve – to meet the emerging pensions liability in respect of public sector pensions; and
- Reserve Fund – set up to act as a buffer against the potential risks of increased expenditure to be charged to future years' Accounts.

### **7.1.18 Provisions and Contingencies**

Provisions are recognised when the Government has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Government's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable. The nature and estimated financial effect of each item are disclosed.

### **7.1.19 Exceptional Items, Extraordinary Items and Prior Year Adjustments**

Exceptional items and extraordinary items are included in the cost of the relevant service or on the face of the Income and Expenditure Account, as appropriate. Prior year adjustments arising from natural corrections associated with estimates used in the Accounts are accounted for in the year in which they are recognised. Adjustments arising from changes in accounting policies or material errors are accounted for by restating preceding year comparative figures and opening balances on reserves. Appropriate disclosures are made where relevant.



#### **7.1.20 Events after the Balance Sheet date**

Post Balance Sheet events, whether favourable or unfavourable, that affect the conditions existing at the Balance Sheet date are adjusted in the Accounts and disclosures. For events occurring after the Balance Sheet date relating to conditions that arose after that date, adjustments are not made in the Accounts but details are disclosed in a note to the Balance Sheet. These principles apply up to the date when the Accounts are authorised for issue.

The responsibilities of Government are such that significant areas of new expenditure are frequently identified, although the actual expenditure is subject to approval by Tynwald. No attempt has been made to disclose or account for material items of new expenditure which arise in the period between the year end and the date of signing the Accounts and which relate to circumstances in existence at year end. Such items are accounted for in the year in which the budget is approved.

#### **7.1.21 Basis of Consolidation**

##### **Central Government Accounts**

The Central Government Accounts show the transactions and balances for Central Government as a single entity, as defined by the Accounts and Audit Regulations 2013 (as amended). This comprises all Government Departments, the revenue funded Statutory Boards (being the Office of Fair Trading, the Financial Services Authority, the Gambling Supervision Commission and the Communications Commission), Offices of Government and the Legislature, the Road Transport Licensing Committee, Manx National Heritage and the Financial Intelligence Unit.

Transactions and balances relating to the Consolidated Loans Fund are eliminated on consolidation in the Central Government Accounts as these are, in effect, loans from Treasury to other Government Departments. Similarly, the capital loans from Government to the Manx Utilities Authority are eliminated on consolidation of the Group Accounts.

##### **Group Accounts**

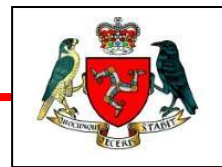
The Group Accounts incorporate the Accounts of Central Government, the two non-Revenue Funded Statutory Boards and companies owned by Central Government or the Statutory Boards. The two non-Revenue Funded Statutory Boards are:

- Isle of Man Post Office; and
- Manx Utilities Authority.

The transactions and balances of Depositors' Compensation Schemes (initiated under the Banking Business (Compensation of Depositors) Regulations 1991 and the Compensation of Depositors Regulations 2008) are not consolidated within the Group Accounts on the basis the assets managed under these schemes relate to third parties. Amounts due from or to such schemes are included within Government debtors and creditors.

##### **Accounting Year**

The Accounting Year used for reporting purposes is the twelve months ending 31 March each year, as defined in the Accounts and Audit Regulations 2013.



### **Elimination of Transactions and Balances on Consolidation**

The following transactions and balances are eliminated on consolidation:

- Year-end debtor and creditor balances between Central Government and the two non-revenue funded Statutory Boards
- Year-end debtor and creditor balances between Central Government and the owned companies: Isle of Man Film Limited and Laxey Glen Mills Limited;
- Transactions relating to the contribution to Government from the Isle of Man Post Office;
- Transactions relating to interest on the Bonds issued by Treasury on behalf of the Manx Utilities Authority;
- Transactions relating to the subvention paid to Radio Manx Limited by Central Government and revenue transactions relating to the contribution to Government from Laxey Glen Mills Limited; and
- Share capital (including Share Premium) in owned companies.

### **7.2 Critical Accounting Judgements and Estimation Uncertainty**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Authority accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

#### **7.2.1 Valuation and useful economic lives of tangible assets**

The valuation of long term tangible fixed assets and assets without a relevant purchase cost involves the use of valuation techniques. Suitably qualified valuers are used to estimate fair values, which includes the use of assumptions.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

See note 7.10 for the carrying amount of tangible assets and note 7.1.5 for the useful economic lives of each asset class.

#### **7.2.2 Defined benefit pension scheme**

The Government has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimate these factors in determining the pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 7.24.

#### **7.2.3 Provisions**

Provision is made for asset retirement obligations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and discount rates used to establish net present value of the obligations require management's judgement.





### 7.3 Analysis of Treasury Income

Treasury income comprises five main areas – income from Customs and Excise duties, income from Income Tax, Social Security income (mainly National Insurance receipts), Treasury Reserves Income and other Treasury Income. Further details of this income are set out below:

#### 7.3.1 Customs and Excise

CUSTOMS AND EXCISE INCOME				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b>Shared Revenue</b>				
Value Added Tax	304,809	308,780	304,809	308,780
Excise Duty	31,461	31,221	31,461	31,221
Cost of Collection Adjustment	(1,020)	(785)	(1,020)	(785)
<b>Non-Shared Revenue</b>				
Gambling Duty	5,108	4,477	5,108	4,477
Air Passenger Duty	4,533	4,636	4,533	4,636
Lottery Duty	1,352	1,512	1,352	1,512
Non-Revenue Receipts	596	412	596	412
<b>Total</b>	<b>346,839</b>	<b>350,253</b>	<b>346,839</b>	<b>350,253</b>

**Notes:**

- Income reported in the Detailed Government Accounts was £348.5 million. The difference between those figures and these above arises from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Customs income.





### 7.3.2 Income Tax

INCOME TAX				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Resident Tax	55,428	51,213	55,428	51,213
Company Tax	15,564	14,135	15,564	14,135
Non Resident Tax	10,649	6,789	10,649	6,789
Income Tax Instalment Payments (ITIP)	135,012	127,077	135,012	127,077
Sub-Contractors	2,929	2,729	2,929	2,729
EU Savings Directive	3	9	3	9
Other	32	3	32	3
<b>Total</b>	<b>219,617</b>	<b>201,955</b>	<b>219,617</b>	<b>201,955</b>

#### Notes:

- Income reported in the Detailed Government Accounts was £216.8 million. The difference between those figures and these above arises from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Income Tax income.

### 7.3.3 Social Security Income

SOCIAL SECURITY INCOME				
INCOME	Group		Central Government	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
<b>National Insurance Fund</b>				
Contributions - Class 1	181,923	172,875	181,923	172,875
Contributions - Class 2	1,479	1,172	1,479	1,172
Contributions - Class 3	322	121	322	121
Contributions - Class 4	3,360	4,115	3,360	4,115
Less: allocated to Manx NHS	(37,908)	(36,453)	(37,908)	(36,453)
Contributions Equivalent Premium	48	94	48	94
Agency Settlement With UK DHSS	56,232	46,789	56,232	46,789
Class 1 National Insurance Refunds	(401)	(253)	(401)	(253)
Class 2 National Insurance Refunds	(29)	(34)	(29)	(34)
Class 3 National Insurance Refunds	(6)	(8)	(6)	(8)
Class 4 National Insurance Refunds	(210)	(261)	(210)	(261)
Property Rents	72	72	72	72
Transfers (from)/to NIIA*	5,256	14,000	5,256	14,000
<b>TOTAL</b>	<b>210,138</b>	<b>202,229</b>	<b>210,138</b>	<b>202,229</b>

\* National Insurance Investment Account

#### Notes:

- No adjustments have been made to the income reported in the Detailed Government Accounts.



### 7.3.4 Other Treasury Income

OTHER TREASURY INCOME				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Contribution from IOM PO	215	285	1,715	2,000
Fines and Fixed Penalties	727	594	727	594
Interest on Investments:				
- Manx Currency Account	513	459	513	459
- Reserve Fund	7,000	6,380	7,000	6,380
- Interest Allocation	-	369	-	369
Miscellaneous income	1,064	824	1,064	824
<b>Total</b>	<b>9,519</b>	<b>8,911</b>	<b>11,019</b>	<b>10,626</b>

**Notes:**

- Compared to the Detailed Government Accounts, income of £232k (from Assurance Advisory Division, Legal Aid and Corporate Strategy) has been transferred to net off with Treasury expense in order to remain consistent with the prior year.

### 7.3.5 Treasury Reserves Income

TREASURY RESERVES INCOME				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b>External Funds</b>				
- Investment Income	32,838	28,466	32,838	28,466
- Net Profit on Sale of Investments	38,612	61,753	38,612	61,753
<i>Less income within the above already transferred to Other Treasury Income:</i>				
- Manx Currency Account	(513)	(459)	(513)	(459)
- Reserve Fund	(7,000)	(6,380)	(7,000)	(6,380)
<b>Internal Funds</b>				
- Investment Income	756	305	756	305
- Sales of Properties (Housing Res. Fund)	2,829	2,319	2,829	2,319
- Other Receipts (Seized Asset Fund)	67	220	67	220
<b>Total</b>	<b>67,589</b>	<b>86,224</b>	<b>67,589</b>	<b>86,224</b>

**Notes:**

- Treasury Reserves Income relates to receipts, income and realised investment income in respect of Treasury's external and internal reserve funds. This income does not form part of the Government Net General Revenue Account and is transferred to the reserve funds to which it relates in the Statement of Total Movement on the General Revenue Account Balance.



## 7.4 Surplus/(Deficit) for the Year

### 7.4.1 The Surplus/(Deficit) for the Year

The surplus/(deficit) on the Income and Expenditure Account is arrived at after charging:

SURPLUS/(DEFICIT) FOR THE YEAR IS ARRIVED AT AFTER CHARGING:					
	Note	Group		Central Government	
		2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Auditors' remuneration	7.9	154	145	105	99
Depreciation	7.10.2	117,025	117,792	95,137	96,872
Amortisation	7.10.4	472	348	472	348
Pension costs	7.24.6	179,631	162,998	178,000	161,000
Irrecoverable VAT		352	296	-	-
Gain/(loss) on disposal of fixed assets		386	1,445	654	(259)
Rentals payable under leases		7,591	7,522	3,574	3,634

#### Notes:

- Auditors' remuneration excludes amounts paid in respect of Depositors' Compensation Schemes and other entities outside the scope of the group consolidation.

### 7.4.2 Department Expenditure

An analysis of Department Expenditure is included in the Detailed Government Accounts and summarised at Section 8. The following adjustments have been applied to reflect different basis of preparation to the Detailed Government Accounts.

RECONCILIATION OF DEPARTMENTAL EXPENDITURE				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b>Total Revenue Expenditure per Detailed Government Accounts</b>	(765,118)	(745,511)	(765,118)	(745,511)
<u>Accounting Standards Adjustments</u>				
Fixed Assets Adjustments	(76,788)	(74,587)	(76,788)	(74,587)
Pension Adjustments	(4,000)	(8,000)	(4,000)	(8,000)
Other	(8,237)	468	(8,237)	468
<u>Consolidation Adjustments</u>				
Treasury - Grant to MUA	2,200	3,314	-	-
Treasury - Manx Radio Subvention	875	875	-	-
<b>Net Voted Expenditure</b>	<b>(851,068)</b>	<b>(823,441)</b>	<b>(854,143)</b>	<b>(827,630)</b>
Treasury Income	853,702	849,572	855,202	851,287
<b>Net Voted Income</b>	<b>2,634</b>	<b>26,131</b>	<b>1,059</b>	<b>23,657</b>

#### Notes:

Other adjustments include the reversal of lease costs paid by the Department of Infrastructure in respect of the Energy from Waste plant (the financing cost is included within Interest Payable and Similar Charges), the movement on House Purchase Assistance Schemes' balances for the Department of Infrastructure and the movement on the value of the strategic oil reserve (which is excluded from the Detailed Government Accounts).



### 7.5 Staff Remuneration

Numbers of employees and Members whose remuneration of £50,000 or greater is included in these Accounts as at 31 March for each year:

STAFF REMUNERATION				
Remuneration Band	Group		Central Government	
	2016/17	2015/16	2016/17	2015/16
£300,000 to £324,999	1	1	1	1
£275,000 to £299,999	1	2	1	2
£250,000 to £274,999	4	2	4	2
£225,000 to £249,999	10	6	10	6
£200,000 to £224,999	8	7	8	7
£175,000 to £199,999	14	16	14	16
£150,000 to £174,999	22	21	22	21
£125,000 to £149,999	23	24	22	23
£100,000 to £124,999	54	46	52	44
£75,000 to £99,999	125	139	114	130
£50,000 to £74,999	739	699	671	633

**Notes:**

- i. The above figures include gross pay amounts as remuneration (including compensation payments made in connection with their employment) but exclude employers’ contributions (for example, employers’ pension contributions), settlement payments, compromise agreements etc.
- ii. The figures are based on the total remuneration for an individual employee regardless of how many posts that individual may have held. For example, where an individual was employed by two different Departments for two different tasks, the employee is classified above based on their amalgamated remuneration for both posts.

### 7.6 Key Management Compensation

The compensation paid or payable to key management for employee services is shown below:

KEY MANAGEMENT COMPENSATION				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Total Compensation Paid/Payable	3,935	4,131	2,743	2,991

**Notes:**

- i. For Central Government, “Key Management” has been interpreted to be the Minister and Chief Officer of each Department, Board or Office.
- ii. In respect of the Group Accounts, “Key Management” includes the Board Members, Directors and Senior Management team.



## 7.7 Interest Payable and Similar Charges

INTEREST PAYABLE AND SIMILAR CHARGES				
	Group		Central Government	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Isle of Man Treasury Bond 2034	(9,944)	(9,943)	-	-
Isle of Man Treasury Bond 2030	(4,219)	(4,219)	-	-
Consolidated Loans Fund	2,593	(2,593)	-	-
Local Authority loan interest	(151)	(203)	-	-
Lease finance	(4,647)	(4,841)	(1,791)	(1,885)
Other finance charges	(51)	(49)	-	-
Rates discounts allowed	-	(856)	-	-
Unrealised gain/(loss) on currency balances	59	137	-	-
Amortisation of bond issue expenses	(454)	(454)	-	-
Net interest expense on post-employment benefits	(105,126)	(86,153)	(105,000)	(86,000)
<b>Total</b>	<b>(121,940)</b>	<b>(109,174)</b>	<b>(106,791)</b>	<b>(87,885)</b>

## 7.8 Financial Commitments

### 7.8.1 Operating Leases

The Government's future minimum operating leases payments are as follows:

OPERATING LEASES - PAYABLE				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Within one year	7,462	6,957	2,654	2,149
Between one and five years	23,622	24,624	4,317	5,319
After five years	6,051	11,596	1,253	2,000
<b>Total</b>	<b>37,135</b>	<b>43,177</b>	<b>8,224</b>	<b>9,468</b>

The Government's future minimum operating leases receipts are as follows:

OPERATING LEASES - RECEIVABLE				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Within one year	5,472	5,779	4,247	4,554
Between one and five years	11,234	11,887	6,334	6,987
After five years	57,370	61,916	21,845	25,166
<b>Total</b>	<b>74,076</b>	<b>79,582</b>	<b>32,426</b>	<b>36,707</b>



## 7.9 External Audit Fees

EXTERNAL AUDIT FEES				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Fees payable with regard to external audit services carried out by the appointed auditors	154	145	105	99
Fees payable with regard to other services carried out by the appointed auditors	206	206	204	204
	<b>360</b>	<b>351</b>	<b>309</b>	<b>303</b>

Following a tender process, the External Auditor (KPMG Audit LLC) for Central Government was appointed for a 3-year term commencing 1 April 2015, with an option for a further extension for a further two years. KPMG Audit LLC was the incumbent external auditor immediately prior to the tender process.

An associated company, KPMG LLC, is appointed as Scheme Agent of the Banking Business (Compensation of Depositors) Regulations 1991 and the Compensation of Depositors Regulations 2008 by the Financial Services Authority. The above figures with regard to other services include payments made to KPMG LLC in respect of these Regulations. The transactions and balances of the depositors' compensation schemes, including the fees above, are not consolidated into these Accounts.

As part of a separate tender process another firm, Grant Thornton Limited (previous firms, including PKF (Isle of Man) LLC), were appointed auditors of Local Authority and related accounts. Grant Thornton Limited is also the appointed external auditor of Laxey Glen Mills Limited and PricewaterhouseCoopers LLC is the appointed external auditor of Radio Manx Limited. The audit fees for each of these are included within the Group figures.



## 7.10 Fixed Assets

### 7.10.1 Summary of Fixed Assets

SUMMARY OF FIXED ASSETS - NET BOOK VALUE					
	Note	Group		Central Government	
		2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Tangible Fixed Assets	7.10.3	2,698,089	2,759,312	2,196,849	2,253,643
Intangible Fixed Assets	7.10.5	580	654	539	654
<b>Total</b>		<b>2,698,669</b>	<b>2,759,966</b>	<b>2,197,388</b>	<b>2,254,297</b>

### 7.10.2 Valuations

The Government has a current policy of looking to revalue certain key assets over a period of 3 to 5 years.

Therefore many of the Group's land and buildings, including both freehold and leasehold assets, have been revalued during the last three years on the basis of existing use or depreciated replacement cost by qualified valuers. The valuations were undertaken by the Treasury's Valuation Office in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom.

Depreciation is being charged based upon the revalued amounts and revised estimated useful economic life of the buildings.

The freehold land and buildings have been categorised into Departments and will be revalued on a 3-5 year cycle, as follows:

- 2016/17 – Departments of Economic Development, Environment, Food and Agriculture, and the Manx Museum and National Trust
- 2017/18 – Department of Health and Social Care and the Department of Education
- 2018/19 – Departments of Infrastructure and Home Affairs



**7.10.3 Tangible Fixed Assets – Group**

<b>TANGIBLE FIXED ASSETS</b>						
	<b>Group</b>					
	<b>Freehold Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Infra-structure assets £000</b>	<b>Assets Under Course of Construction £000</b>	<b>Investment Property £000</b>	<b>Total £000</b>
<b>As at 31 March 2016</b>						
Cost or Valuation	1,410,565	463,930	1,851,171	22,071	-	<b>3,747,737</b>
Accumulated Depreciation	(258,744)	(276,380)	(453,301)	-	-	<b>(988,425)</b>
<b>Net Book Value</b>	<b>1,151,821</b>	<b>187,550</b>	<b>1,397,870</b>	<b>22,071</b>	-	<b>2,759,312</b>
<b>Year end 31 March 2017</b>						
Opening Net Book Value	1,151,821	187,550	1,397,870	22,071	-	<b>2,759,312</b>
Additions	13,784	15,699	13,370	12,580	-	<b>55,433</b>
Disposals	(71)	(605)	(530)	-	-	<b>(1,206)</b>
Transfers	9,083	12,520	(11,456)	(12,822)	2,019	<b>(656)</b>
Depreciation	(43,015)	(21,567)	(52,386)	-	(57)	<b>(117,025)</b>
Revaluations	2,375	(9,815)	9,898	-	(227)	<b>2,231</b>
<b>Closing Net Book Value</b>	<b>1,133,977</b>	<b>183,782</b>	<b>1,356,766</b>	<b>21,829</b>	<b>1,735</b>	<b>2,698,089</b>
<b>As at 31 March 2017</b>						
Cost	1,440,023	487,890	1,852,204	21,829	1,792	3,803,539
Accumulated Depreciation	(306,046)	(304,108)	(495,438)	-	(57)	(1,105,450)
<b>Closing Net Book Value</b>	<b>1,133,977</b>	<b>183,782</b>	<b>1,356,766</b>	<b>21,829</b>	<b>1,735</b>	<b>2,698,089</b>

Included within tangible fixed assets at 31 March 2017 is freehold land amounting to £59.9 million (2015/16: £60.3 million) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £61.3 million (2015/16: £64.5 million). Depreciation of £3.2 million (2015: £3.2 million) was charged in the year on these assets.





### 7.10.4 Tangible Fixed Assets – Central Government

<b>TANGIBLE FIXED ASSETS</b>					
	<b>Central Government</b>				
	<b>Freehold Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Infra- structure assets £000</b>	<b>Assets Under Course of Construction £000</b>	<b>Total £000</b>
<b>As at 31 March 2016</b>					
Cost / Valuation	1,341,061	185,686	1,389,914	21,935	<b>2,938,596</b>
Accumulated Depreciation	(234,671)	(137,522)	(312,760)	-	<b>(684,953)</b>
<b>Net Book Value</b>	<b>1,106,390</b>	<b>48,164</b>	<b>1,077,154</b>	<b>21,935</b>	<b>2,253,643</b>
<b>Year end 31 March 2017</b>					
Opening Net Book Value	1,106,390	48,164	1,077,154	21,935	<b>2,253,643</b>
Additions	13,545	5,378	5,134	12,580	<b>36,637</b>
Disposals	-	(21)	-	-	<b>(21)</b>
Transfers	11,677	2,705	(1,560)	(12,822)	-
Depreciation	(41,479)	(10,858)	(42,800)	-	<b>(95,137)</b>
Revaluations	1,727	-	-	-	<b>1,727</b>
<b>Closing Net Book Value</b>	<b>1,091,860</b>	<b>45,368</b>	<b>1,037,928</b>	<b>21,693</b>	<b>2,196,849</b>
<b>As at 31 March 2017</b>					
Cost	1,372,867	190,934	1,393,488	21,693	<b>2,978,982</b>
Accumulated Depreciation	(281,007)	(145,566)	(355,560)	-	<b>(782,133)</b>
<b>Net Book Value</b>	<b>1,091,860</b>	<b>45,368</b>	<b>1,037,928</b>	<b>21,693</b>	<b>2,196,849</b>

Included within tangible fixed assets at 31 March 2017 is freehold land amounting to £52.2 million (2015/16: £53.0 million) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £15.5 million (2015/16: £17.7 million). Depreciation of £2.2 million (2015/16: £2.2 million) was charged in the year on these assets.



**7.10.5 Intangible fixed assets**

<b>INTANGIBLE FIXED ASSETS</b>		
	<b>Group</b>	<b>Central Government</b>
	<b>Intangible Assets £000</b>	<b>Intangible Assets £000</b>
<b>As at 31 March 2016</b>		
Cost or Valuation	1,511	1,511
Accumulated Depreciation	(857)	(857)
<b>Net Book Value</b>	<b>654</b>	<b>654</b>
<b>Year end 31 March 2017</b>		
Opening Net Book Value	654	654
Additions	398	357
Disposals	-	-
Transfers	-	-
Amortisation	(472)	(472)
Revaluations	-	-
Impairment	-	-
<b>Closing Net Book Value</b>	<b>580</b>	<b>539</b>
<b>As at 31 March 2017</b>		
Cost	1,909	1,868
Accumulated Depreciation	(1,329)	(1,329)
<b>Closing Net Book Value</b>	<b>580</b>	<b>539</b>

Intangible fixed assets mainly consist of purchased software packages.



## 7.11 Heritage Assets

### 7.11.1 Nature and scale of assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value. Heritage assets include historic buildings, archaeological sites, monuments, statues, military and scientific equipment of historic importance, museum collections and works of art.

The majority of Heritage Assets are held by Manx Museum and National Trust and cover both a wide cross-section of the Island's natural visitor attractions and Museum artefacts considered to be of national importance.

Heritage Assets currently include:

- Land and Buildings – such as Snaefell, The Sound, Cregneash, Skye Hill, Castle Rushen, Peel Castle, Rushen Abbey, Laxey Wheel, The Grove Museum, the Old House of Keys and the old Grammar School.
- Transport – including the Horse Trams, Electric Railway, Mountain Railway, Steam Railway.
- Other Artefacts – such as Paintings, ornaments, Viking hoards of silver and gold plus items such as the 18<sup>th</sup> century yacht 'The Peggy', a skeleton of a giant deer and the Sword of State.

### Policy for acquisition, preservation, management and disposal of Heritage Assets

The Manx Museum and National Trust is a charitable Trust operating under the name Manx National Heritage, governed by a board Trustees. Overall governance is provided in legislation by the Manx Museum and National Trust Act 1959. The Act determines that the Trust shall operate a Museum and shall keep the Museum and any additions thereto in good order and repair. The Museum shall be used for storing, classifying, and exhibiting objects of art, or of antiquarian, scientific, literary, historical, or educational interest, whether the property of such Trust or of any other person or body.

The Museum is currently open to the Public 5 days a week. In addition, the Trust has a Large Objects Store which is open from time-to-time for guided tours mainly for "Friends of Manx National Heritage" (a registered charity committed to supporting the work of Manx National Heritage).

The Trust is supported by the Isle of Man Government which provides funding for core activities and some capital projects.

The Department of Infrastructure has responsibility for the preservation and maintenance of the transport assets listed above. These are operational assets in daily (seasonal) use and are therefore maintained to a standard suitable for public use.

### Accounting treatment of Heritage Assets

The transport assets identified above are included within the Accounts under "Vehicles, Plant and Equipment" as these are operational assets. The accounting treatment of these assets is consistent with the policy for Vehicles – in general the vehicles have a life of 6 years. In addition, the value of the railway tracks is included within the Accounts under "Infrastructure assets" with a life of 20-40 years as per the accounting policy.

However the value of Heritage Assets owned by the Manx Museum and National Trust are not included within the Accounts. These assets have generally not been acquired by way of purchase and therefore have no associated purchase cost. Additionally, many of the assets would be difficult to value as there would be no commercial market for them. In terms of Heritage Assets the two principal 'values' that can be reasonably attached are historical importance & visitor importance and attaching values to these would be highly subjective.



### 7.11.2 Heritage Assets – Group

The Isle of Man Post Office owns a number of heritage assets that are not included in the balance sheet position at 31 March 2017. The assets comprise:

1. A collection of paintings, representing the original artwork for stamps produced during the 1970's and 1980's.
2. A memorial World War 1 plaque designed by Archibald Knox.
3. A memorial World War 2 plaque.

These assets were purchased historically. It is the view of the Post Office Board that the costs incurred to reliably value these assets on an ongoing basis, even if such values could be obtained, would be disproportionate to any additional benefits derived by the Post Office or users of the Accounts.

### 7.12 Capital Commitments

The estimated commitments for capital expenditure that had started, or legal contracts entered into, as at 31 March 2017 are set out below. This amount predominantly relates to capital schemes approved by Tynwald which were in the course of construction at the year end.

Further details of approved Capital Schemes are set out in the Isle of Man Budget 2017-18 (GD 2017/0001).

CAPITAL COMMITMENTS				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Central Government	4,321	8,932	4,321	8,932
Manx Utilities Authority	15,556	12,500	-	-
<b>Total</b>	<b>19,877</b>	<b>21,432</b>	<b>4,321</b>	<b>8,932</b>



### 7.13 Financial Instruments

The Group has the following financial instruments:

FINANCIAL INSTRUMENTS					
	Note	Group		Central Government	
		2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
<b>Financial assets at fair value through profit or loss:</b>					
- Long term investments	7.14.1	1,320,612	934,945	1,320,612	934,945
- Derivative financial instruments	7.22.2	2,634	-	-	-
<b>Financial assets that are debt instruments measured at amortised cost:</b>					
- Loans receivable	7.16.1	27,487	27,167	565,537	558,027
- Trade debtors	7.16.2	33,989	32,583	13,996	12,191
- Other debtors	7.16.2	42,934	53,576	40,355	51,122
- Short term deposits		265,797	262,029	265,798	260,529
- Cash at bank	7.18	247,894	487,529	216,419	456,015
		<b>618,101</b>	<b>862,884</b>	<b>1,102,105</b>	<b>1,337,884</b>
<b>Total Assets</b>		<b>1,941,347</b>	<b>1,797,829</b>	<b>2,422,717</b>	<b>2,272,829</b>
<b>Financial liabilities at fair value through profit or loss:</b>					
- Derivative financial instruments	7.22.2	2,261	12,514	-	-
<b>Financial liabilities measured at amortised cost:</b>					
- Loans payable	7.21.2	277,550	284,484	274,943	281,512
- Trade creditors	7.19.1	17,124	15,824	13,398	7,716
- Accruals	7.19.1	39,123	36,511	29,426	26,978
- Other creditors	7.19.1	9,211	8,334	8,751	7,831
- Financial leases	7.22.1	59,904	62,961	29,169	30,782
- Retirement benefit obligation	7.24.3	3,836,189	2,995,176	3,823,000	2,991,000
		<b>4,239,101</b>	<b>3,403,290</b>	<b>4,178,687</b>	<b>3,345,819</b>
<b>Total Liabilities</b>		<b>4,241,362</b>	<b>3,415,804</b>	<b>4,178,687</b>	<b>3,345,819</b>



## 7.14 Long Term Investments

### 7.14.1 Investments

The market value and classification of the Long Term Investments held is as follows:

INVESTMENT VALUE BY ASSET CLASS				
	Market Value 31 March 2017 £000	Book Value 31 March 2017 £000	Market Value 31 March 2016 £000	Book Value 31 March 2016 £000
Property	725	408	725	408
Investment in Films/Media	8,483	8,483	10,890	10,890
United Kingdom Fixed Interest	391,242	371,234	261,039	245,953
United Kingdom Equities	374,958	339,369	354,532	357,206
Overseas Fixed Interest	31,390	29,573	8,759	8,643
Overseas Equities	448,554	350,920	273,645	240,838
Other Investments	65,260	60,273	25,355	24,923
<b>TOTAL</b>	<b>1,320,612</b>	<b>1,160,260</b>	<b>934,945</b>	<b>888,861</b>

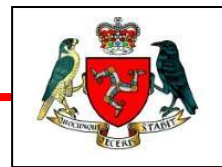
### 7.14.2 Balances on Externally Managed Funds

The investments relate to eight externally managed funds. In addition to the investments above, the external Investment Managers and Treasury also hold cash balances in respect of these funds, details of which are set out below:

BALANCES ON EXTERNALLY MANAGED FUNDS				
	Market Value 31 March 2017 £000	Book Value 31 March 2017 £000	Market Value 31 March 2016 £000	Book Value 31 March 2016 £000
Long Term Investments	1,320,612	1,160,260	934,945	888,861
Cash & Cash Instruments	212,305	212,317	449,811	449,799
Cash funds held by Treasury	74,670	74,670	74,077	74,077
<b>Total</b>	<b>1,607,587</b>	<b>1,447,247</b>	<b>1,458,833</b>	<b>1,412,737</b>

#### Notes

- i. The majority of funds are valued through listed holdings on the open market.
- ii. However a small number of holdings within the Reserve Fund (9; 2015/16: 11) totalling £1.1 million (2015/16: £2.6 million) are considered highly illiquid and are held in a 'Care & Maintenance Account', the value of which has been written off.
- iii. The Media Development Fund is not traded on an open market and is valued by an industry expert, being £22.7 million at 31 March 2017 (2015/16: £24.9 million). The valuation is based on the original investment less write-downs & provisions. When determining the level of write down to recommend to Treasury, the advisors consider to what extent sums invested into productions are unlikely to materialise into recoupment returns, as a result of changing market sales conditions.



### 7.14.3 Financial Risk

This note provides information about financial risk which is material in the context of the accounts as a whole.

#### 1. Investments

##### Investment Manager Risk

The appointment of investment managers follows a rigorous process in which prospective managers are required to provide evidence of the company's ability to achieve a strong track record of performance against benchmarks, including how investment performance is achieved and risk controlled in volatile markets. All prospective investment managers must hold the relevant licence from the Isle of Man Financial Services Authority.

In order to mitigate risk and achieve satisfactory diversification, several investment managers are appointed (2016/17: 5; 2015/16: 5) and the portfolio is spread amongst them, as this limits the risk exposure with any single investment manager.

The performance of each manager is reviewed on a quarterly basis by Treasury's investment advisor who in turn provides a report for scrutiny by the Investment Committee.

The investment managers are invited to meet the Investment Committee twice a year to discuss current performance and discuss upcoming risks and issues.

In addition Treasury has appointed a master custodian who provides the following functions which serve toward risk management associated with the investment managers:

- safekeeping of assets/securities such as stocks, bonds, and currency (cash)
- arranging settlement of any purchases and sales and deliveries in/out of such securities and currency
- collect information on and income from such assets and administer related tax withholding documents and foreign tax reclamation
- administer voluntary and involuntary corporate actions
- provide information on the securities and their issuers such as annual general meetings and related proxies
- maintain currency/cash bank accounts, effect deposits and withdrawals and manage other cash transactions
- perform additional services including portfolio accounting, reconciliation and administration and performance measurement
- provide online information and reports
- dedicated client relationship manager.

##### Market Risk

Market risk arises from investments held for which prices in the future are uncertain. The risk is managed through diversification and selection of securities. Selection of securities is delegated to investment managers who in turn must comply with the conditions that apply to the investment mandates that Treasury has in place. The mandates provide certain constraints around the investment profile in order to achieve the investment objective. Treasury currently has two investment mandates:



	<b>Investment Mandate</b>	
<b>Conditions</b>	<b>(1) Absolute Return Funds</b>	<b>(2) Absolute Return Funds (Fixed Income Funds)</b>
Benchmark	To outperform the Bank of England Base Rate +3% over rolling three year periods.	To outperform the Bank of England Base Rate +1% over rolling three year periods.
Investment Objective	To achieve moderate capital appreciation over the medium term without excessive volatility.	Capital preservation over the medium term with reduced volatility.
Time Horizon	3 – 5 years.	3 – 5 years.
Risk Tolerance	A moderate tolerance for risk commensurate with the investment objective.	A low tolerance for risk commensurate with the investment objective.
Equities	Up to 80% of the market value of the total assets of the portfolio. No more than 15% of the market value of the total assets of the portfolio to be invested in any one equity sector. No more than 6% of the market value of the total assets of the portfolio to be invested in any one share.	No more than 20% of total assets of the market value of the total assets of the portfolio.
Bonds & Cash	Up to 100% of the market value of the total assets of the portfolio. No more than 10% of the total portfolio may be exposed to bonds rated below Investment Grade.	Up to 100% of the market value of the total assets of the portfolio. No more that 10% of the total portfolio may be exposed to bonds rated below Investment Grade.
Currency Exposure	No more than 40% of the market value of the total assets of the portfolio to be held in non-sterling assets.	No more than 10% of the assets of the portfolio to be held in non-sterling assets.
Isle of Man Companies	No dealing in shares of companies registered in the Isle of Man without prior Treasury consent.	No dealing in shares of companies registered in the Isle of Man without prior Treasury consent.
Unquoted Securities	No dealing in unquoted securities without prior Treasury consent.	No dealing in unquoted securities without prior Treasury consent.
Banking Arrangements	No more than 5% of the market value of the total assets of the portfolio to be held in cash with any bank forming part of the investment manager’s group. Cash assets above 5% of the total market value of the portfolio should be deposited with other institutions. No more than £15 million or 15% of the market value of the portfolio, whichever is the greater, may be held with institutions within any one banking group.	No more than 10% of the market value of the total assets of the portfolio to be held in cash with any bank forming part of the investment manager’s group. Cash assets above 10% of the total market value of the portfolio should be deposited with other institutions. No more than £8 million or 15% of the market value of the portfolio, whichever is the greater, may be held with institutions within any one banking group.
Derivatives	Derivatives can only be used to provide downside protection to assets held by the portfolio. Prior written permission is required for the use of any derivatives other than Index Futures, Stock Futures, Call Options and Put Options. Use of derivatives is subject to the certain limits.	No dealing in derivatives without prior Treasury consent.
Use of Collective Investment Schemes	No investment in any collective investment schemes or other in-house products operated by the investment manager or the investment manager’s group without prior Treasury consent.	No investment in any collective investment schemes or other in-house products operated by the investment manager or the investment manager’s group without prior Treasury consent.



**Market Risk (Continued)**

Conditions	Investment Mandate	
	Absolute Return Funds	Absolute Return Funds (Fixed Income Funds)
Liquidity	No investment should be made which is not realisable within a reasonable period, maximum 3 months, without prior Treasury consent.	No investment should be made which is not realisable within a reasonable period, maximum 3 months, without prior Treasury consent.
Other	Treasury accepts that funds do routinely use a variety of instruments, including derivatives however at least 98% of the value of the underlying investments of the portfolio must consist of investments which if held directly would be compliant with the above conditions.	

**2. Credit Risk**

Credit risk is the risk that a counterparty will be unable to pay amounts owed to Government in full when due. Risk areas for Government are primarily investments and cash and cash equivalents. The risk with investments is managed within the terms of the mandates outlined above.

**Cash**

Treasury considers cash management guidelines at least once per year. The guidelines were last amended and approved by Treasury in October 2016. The limits applying to institutions under the current guidelines are based on the short term credit rating awarded to the local institution's parent by the Fitch credit rating agency. The short term Fitch rating has been used as the primary basis for determining the amount to be placed with an institution under the cash guidelines for over 13 years.

The guidelines are as follows:

- The overall total of deposits placed with an F1+ and F1 rated bank (with G-SIFI<sup>4</sup> status) not to exceed 40% of the Treasury's total sterling on deposit;
- The overall total of deposits placed with an F1 rated bank (without G-SIFI status) not to exceed 30% of the Treasury's total sterling on deposit;
- F1 rated bank (without G-SIFI status) maximum duration is 12 months with a restriction of a maximum deposit limit of £20m for deposits held for greater than three months;
- The following limits to apply to the placing of all new sterling funds with any one institution

Fitch Short Rating	Limit as % of Deposits	Maximum Maturity
F1+	40%	24 months
F1 with G-SIFI status	40%	12 months
F1 and F2 (with G-SIFI status)	30%	12 months (up to a maximum of £20 million in excess of 3 months)
F2	5%	1 month
F3 and no Fitch Rating	£1,000,000	1 month

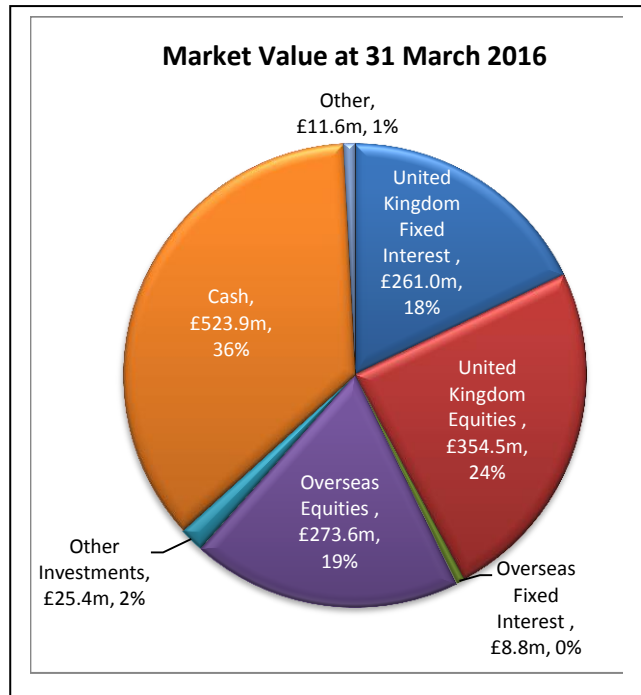
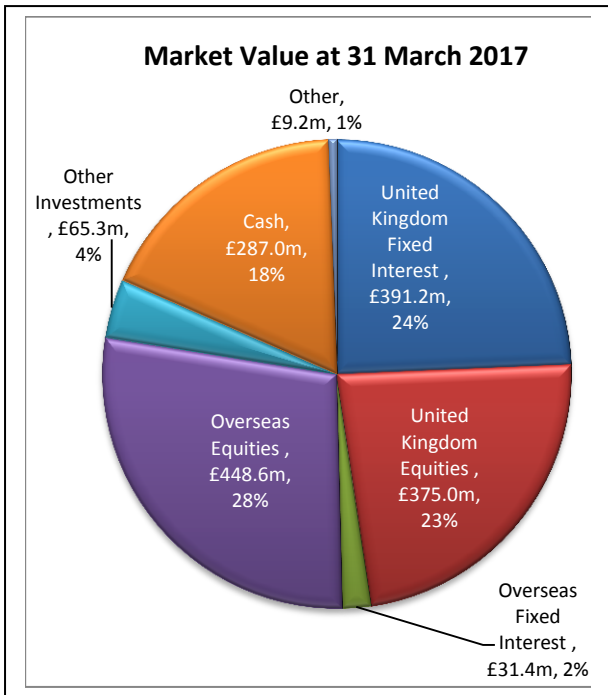
- The maximum to be deposited with subsidiaries of any one banking group is based on the lowest rated relevant subsidiary.
- A maximum limit of £1,000,000 in cash deposits may be held with any individual institution or group that has an F3 rating or does not have a credit rating. An aggregate limit of 5% of Treasury's total sterling on deposit may be placed with institutions within this class.

<sup>4</sup> Global Systematically Important Financial Institutions

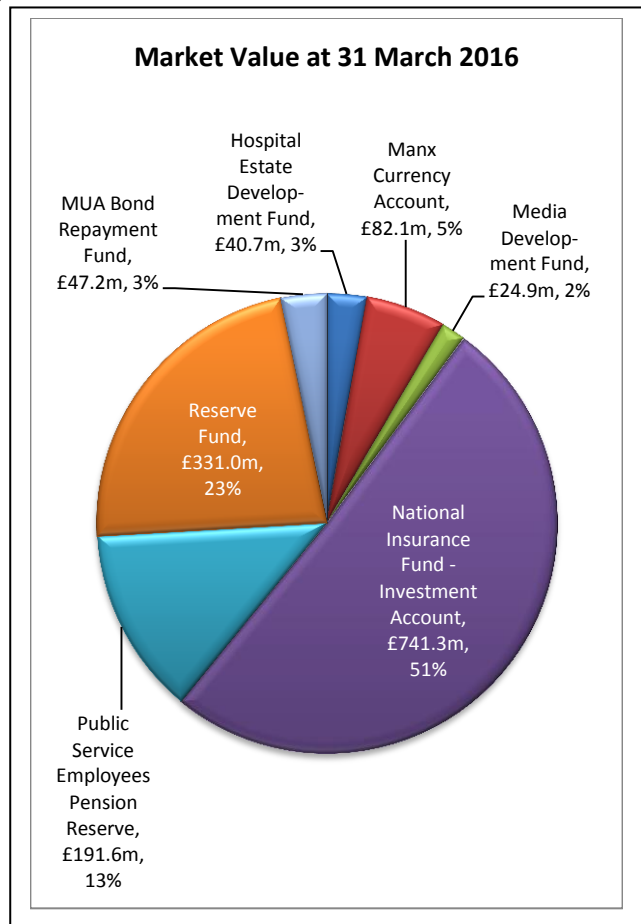
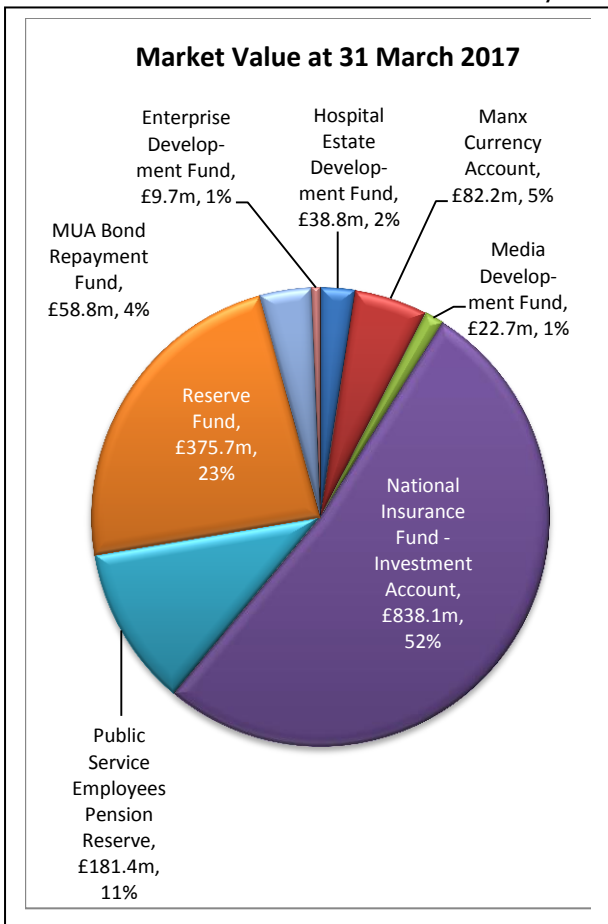


### 7.14.4 Market Value of Externally Managed Funds

The total market value of externally managed fund assets held at 31 March 2017 can be shown by asset type as follows:



The assets are allocated across the externally managed funds as follows:





### 7.14.5 Movements on Externally Managed Funds

An analysis of the fund balances and movements during the year is set out below:

MOVEMENT ON EXTERNALLY MANAGED FUNDS							
Invested Fund	Balances Brought Forward 1 April 2016 £000	Income			Unrealised gain/(loss) on Investments £000	Expenditure & Transfers to Internal Accounts £000	Balances Carried Forward 31 March 2017 £000
		Contributions Seizures & Other £000	Investment Income £000	Net Profit on Sale of Investments £000			
Hospital Estate Development Fund	40,746	-	909	16	738	3,589	38,820
Manx Currency Account	82,087	(281)	943	370	82	963	82,238
Media Development Fund	24,944	-	105	(1,985)	-	321	22,743
National Insurance Fund - Investment Account	741,256	-	18,180	9,190	76,566	7,052	838,140
Public Service Employees Pension Reserve	191,575	-	3,748	8,111	11,050	33,102	181,382
Reserve Fund	331,046	-	7,896	22,417	22,097	7,770	375,686
MUA Bond Repayment Fund	47,179	6,500	1,057	493	3,708	95	58,842
Enterprise Development Fund	-	10,000	-	-	-	264	9,736
<b>Total</b>	<b>1,458,833</b>	<b>16,219</b>	<b>32,838</b>	<b>38,612</b>	<b>114,241</b>	<b>53,156</b>	<b>1,607,587</b>

#### Notes:

- i. The market values and book cost of each of the externally managed funds is shown below:

FUND VALUES				
	Market Value	Book Value	Market Value	Book Value
	31 March 2017 £000	31 March 2017 £000	31 March 2016 £000	31 March 2016 £000
Hospital Estate Development Fund	38,820	37,580	40,746	40,245
Manx Currency Account	82,238	81,586	82,087	81,517
Media Development Fund	22,743	22,743	24,944	24,944
National Insurance Fund - Investment Account	838,140	743,600	741,256	723,282
Public Service Employees Pension Reserve	181,382	166,378	191,575	187,621
Reserve Fund	375,686	332,733	331,046	310,191
MUA Bond Repayment Fund	58,842	52,891	47,179	44,937
Enterprise Development Fund	9,736	9,736	-	-
<b>TOTAL</b>	<b>1,607,587</b>	<b>1,447,247</b>	<b>1,458,833</b>	<b>1,412,737</b>



- ii. The National Insurance Fund comprises an externally invested National Insurance Investment Account and an internally managed National Insurance Operating Account. The balances on these two funds are as follows:

<b>NI FUND</b>		
	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Operating Account	12,846	4,105
Investment Account	838,140	741,256
<b>Total</b>	<b>850,986</b>	<b>745,361</b>

- iii. The face value of the Manx Currency in circulation at 31 March 2017 was £77.8 million (2015/16: £77.9 million). At that date the Currency Account Surplus, being the amount by which the Manx Currency Account exceeds the face value of Manx Currency in circulation, was £3.8 million (2015/16: £3.6 million).



## 7.15 Government Owned Companies

### 7.15.1 Central Government

The Isle of Man Government hold all the shares in the following six companies, the accounts of which have been consolidated with the Government's Group Accounts in accordance with the Accounts and Audit Regulations 2013:

GOVERNMENT OWNED COMPANIES			
Company	Principal activity	Country of Incorporation	Proportion of voting rights and shares held
Isle of Man Film Ltd	Film investment	Isle of Man	100%
Isle of Man Film (DOI) Ltd	Dormant	Isle of Man	100%
Isle of Man Ltd	Dormant	United Kingdom	100%
Isle of Man National Transport Ltd	Dormant	Isle of Man	100%
Laxey Glen Mills Ltd	Flour milling	Isle of Man	100%
Radio Manx Ltd	Commercial radio	Isle of Man	100%

The Accounts of the three trading Companies are required to be laid before Tynwald annually. Further details of the non-dormant companies' activities during the year are set out below:

#### Isle of Man Film Ltd ("IOMFL")

IOMFL previously made investments in film productions on behalf of Government and remits receipts from film sales to the Media Development Fund.

Isle of Man Film (DOI) Ltd is a wholly-owned subsidiary of IOMFL but is now dormant.

#### Laxey Glen Mills Ltd ("LGML")

Government provides subsidies to LGML in respect of flour sales, advances funds for LGML to purchase grain and provides grants to pay bonuses to growers.

#### Radio Manx Ltd ("RML")

Government provides an annual subvention to RML. In addition, Government organisations purchase services from and sell services to RML on an arm's length basis.



## 7.15.2 Group Accounts

### Manx Utilities Authority

In addition to 7.15.1, the Manx Utilities Authority hold all the shares in the following three companies, the accounts of which have been consolidated with the Government's Group Accounts, on the basis that they are consolidated within the Manx Utilities Authority's own Group Accounts:

COMPANIES OWNED BY THE MANX UTILITIES AUTHORITY			
Company	Principal activity	Country of Incorporation	Proportion of voting rights and shares held
Manx Cable Company Limited	Electricity cable link	Isle of Man	100%
PGT Limited	Dormant	Isle of Man	100%
e-Ilan Communications Limited	Wholesale telecom services	Isle of Man	100%

### Isle of Man Post Office

As part of the acquisition of property at Barleyfields, Isle of Man Business Park, the Post Office acquired 40 shares of Isle of Man Business Park (No4) Management Company Limited. The principle activity of the company is the management of the shared element of the property acquired.

The Post Office share of the profits or losses of associates or its interest in their net assets have not been consolidated with the Government's Group Accounts, on the basis that its transactions and balances are not material.

COMPANIES IN WHICH THE ISLE OF MAN POST OFFICE HAS SHARES			
Company	Principal activity	Country of Incorporation	Proportion of voting rights and shares held
Isle of Man Business Park (No4) Management Company Limited	Property management	Isle of Man	40%



## 7.16 Debtors and prepayments

### 7.16.1 Long Term Debtors

Long Term Debtor balances comprise loans schemes funded by the Consolidated Loans Fund. An analysis of the closing balances on these schemes is shown below:

<b>LONG TERM DEBTORS</b>				
	<b>Group</b>		<b>Central Government</b>	
	<b>2016/17 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
<b>Loan Schemes</b>				
Agricultural Holdings Scheme 1978	157	206	157	206
Agricultural Holdings Scheme 2000	548	580	548	580
Agricultural Credits Acts 1924-66	24	28	24	28
Fishing Industry	52	99	52	99
Building By Private Enterprise Schemes 1968/74	-	1	-	1
House Purchase Assistance Schemes	23,947	23,232	23,947	23,232
House Purchase Schemes	38	50	38	50
House Purchase & Refurbishment Scheme 1991	703	843	703	843
Royal British Legion Housing Association	338	338	338	338
Local Authorities	1,680	1,790	1,680	1,790
	<b>27,487</b>	<b>27,167</b>	<b>27,487</b>	<b>27,167</b>
<b>Loans to Statutory Boards</b>				
Manx Utilities Authority	-	-	537,970	530,740
e-Ilan Loan (MUA)	-	-	80	120
	<b>27,487</b>	<b>27,167</b>	<b>565,537</b>	<b>558,027</b>
<b>Total Loans Outstanding</b>				
Due within 12 months	(1,197)	(1,162)	(7,646)	(7,611)
	<b>26,290</b>	<b>26,005</b>	<b>557,891</b>	<b>550,416</b>
<b>Total Due After 12 Months</b>				

#### Notes:

- The criteria for the House Purchase Assistance schemes have varied across the years but in general have been offered at 1% below the Bank of England base rate. In 2014 a Shared Equity Scheme was introduced which offered a 2 year interest-free period then charged at 1%, increasing incrementally by 1% each subsequent year or Bank of England Base Rate plus 5% whichever is the lesser.
- The MUA loan includes Isle of Man Treasury Bonds that comprise a Bond with a £75 million nominal value at 5.625% per annum with a maturity date of 29 March 2030, and a Bond with a £185 million nominal value at 5.375% per annum with a maturity date of 14 August 2034. The balance of the loan amount relates to loans from the Capital Loans Fund.
- In 2008-09 an amount of £400,000 was advanced from The Economic Development Fund to fund the initial capital investment of e-Ilan Communications Limited. This loan is repayable over ten years.
- The Local Authority Loans are in respect of obligations taken on for sewer mains and sewerage assets transferred to the Authority prior to 2007.
- Interest payable on the Consolidated Loans Fund is at a variable interest rate as determined annually by Isle of Man Government Treasury. For the year under review the interest rate was set at 1.5% (2015/16: 1.0%).



### 7.16.2 Current Debtors

<b>CURRENT DEBTORS</b>				
	<b>Group</b>		<b>Central Government</b>	
	<b>2016-17 £000</b>	<b>2015-16 £000</b>	<b>2016-17 £000</b>	<b>2015-16 £000</b>
Trade Debtors	33,989	32,583	13,996	12,191
Prepayments	864	264	-	-
Loan Schemes	1,197	1,162	7,646	7,611
<b>Sub-total</b>	<b>36,050</b>	<b>34,009</b>	<b>21,642</b>	<b>19,802</b>
Taxation Debtors	26,101	25,013	26,101	25,013
Other Debtors	16,833	28,563	14,254	26,109
<b>Sub-total</b>	<b>42,934</b>	<b>53,576</b>	<b>40,355</b>	<b>51,122</b>
<b>Total</b>	<b>78,984</b>	<b>87,585</b>	<b>61,997</b>	<b>70,924</b>

#### Notes

- Included within Trade Debtors and Prepayments for both the Group and Central Government is an amount of £1.5 million (2015/16: £1.5 million) in respect of the Kaupthing Singer & Friedlander (Isle of Man) Limited Early Payment Schemes and Depositors' Compensation Schemes. A provision of £1.1 million (2015/16: £1.1 million) has been applied against this balance to give a net balance of £0.4 million (2015/16: £0.4 million).
- Taxation Debtors include amounts in respect of direct and indirect taxation where assessments have been raised and are expected to be paid. Income Tax assessments which are under review and for which the assessed value may change are excluded from the Taxation Debtors amount as the amount and timing of payment is uncertain.
- Other Debtors include an amount of £4.1 million (2015/16: £15.8 million) payable by the United Kingdom's HM Revenue & Customs in respect of the VAT sharing arrangement.

### 7.17 Stocks and Work in Progress

<b>STOCKS AND WORK-IN-PROGRESS</b>				
	<b>Group</b>		<b>Central Government</b>	
	<b>2016/17 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Raw Materials and Consumables	9,927	8,510	2,744	1,643
Work in Progress	1,911	1,661	1,911	1,661
Goods for Resale	1,062	1,549	879	1,371
<b>Total</b>	<b>12,900</b>	<b>11,720</b>	<b>5,534</b>	<b>4,675</b>





## 7.18 Cash Balances

### 7.18.1 Cash Balances

CASH BALANCES				
	Group		Central Government	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Cash re: external funds	261,500	501,640	261,500	501,640
Cash re: loans fund	34,422	46,728	34,422	46,728
Other cash balances	(48,028)	(60,839)	(79,503)	(92,353)
<b>Cash at Bank and in Hand</b>	<b>247,894</b>	<b>487,529</b>	<b>216,419</b>	<b>456,015</b>
Bank Overdrafts	(15,010)	(21,647)	(14,943)	(21,512)
<b>Total</b>	<b>232,884</b>	<b>465,882</b>	<b>201,476</b>	<b>434,503</b>

The above represents cash held in Government bank accounts and cash held by the Government's External Investment Managers (see Note 7.14 Long Term Investments). In addition, Treasury also places short term cash deposits on wholesale money markets.

Cash balances in respect of the Consolidated Loans Fund (Capital cash balance) are funded from General Revenue and are therefore shown as both a positive (in respect of the Consolidated Loans Fund) and a negative (overdrawn, in respect of General Revenue) cash balance with 'Other cash balances' above.

### 7.18.2 Bank Overdrafts and Loans Payable

BANK OVERDRAFTS AND LOANS PAYABLE				
	Group		Central Government	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
<b>Current Liabilities</b>				
Net Finance Debt	(5,273)	(14,302)	(1,713)	(1,613)
Loans Payable – Local Authorities	(165)	(74)	-	-
Bank Overdrafts	(15,010)	(21,647)	(14,943)	(21,512)
	<b>(20,448)</b>	<b>(36,023)</b>	<b>(16,656)</b>	<b>(23,125)</b>
<b>Long Term Liabilities</b>				
Loans Payable – Bonds	(260,000)	(260,000)	(260,000)	(260,000)
Loans Payable – Local Authorities	(2,540)	(2,837)	-	-
Finance Debt	(54,258)	(61,173)	(27,456)	(29,169)
	<b>(316,798)</b>	<b>(324,010)</b>	<b>(287,456)</b>	<b>(289,169)</b>
<b>Total</b>	<b>(337,246)</b>	<b>(360,033)</b>	<b>(304,112)</b>	<b>(312,294)</b>

The Treasury reviews its banking arrangements annually and currently has lending facilities in place with the Isle of Man Bank Limited as follows:

LENDING FACILITIES IN PLACE	
Account	Limit £
Forward Foreign Exchange	£1,545,000
NatWest One Card	£115,000
NatWest Purchasing Card	£2,000,000
BACS	£69,000,000
General Charges Account	£10,000,000



## 7.19 Creditors and Third Party Funds

### 7.19.1 Creditors: Amounts falling due within one year

CURRENT LIABILITIES				
	Group		Central Government	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Trade creditors	17,124	15,824	13,398	7,716
Accruals	39,123	36,511	29,426	26,978
Other creditors	9,211	8,334	8,751	7,831
<b>Sub-total</b>	<b>65,458</b>	<b>60,669</b>	<b>51,575</b>	<b>42,525</b>
Finance debt	5,646	5,295	1,713	1,613
Derivatives	2,261	9,007	-	-
<b>Sub-total</b>	<b>7,907</b>	<b>14,302</b>	<b>1,713</b>	<b>1,613</b>
<b>Total</b>	<b>73,365</b>	<b>74,971</b>	<b>53,288</b>	<b>44,138</b>

### 7.19.2 Creditors: Amounts falling due after more than one year

LONG-TERM LIABILITIES					
	Note	Group		Central Government	
		2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Finance debt	7.22.1	54,258	57,666	27,456	29,169
Derivatives	7.22.2	-	3,507	-	-
<b>Sub-total</b>		<b>54,258</b>	<b>61,173</b>	<b>27,456</b>	<b>29,169</b>
Deferred income	7.20	12,595	12,425	-	-
<b>Total</b>		<b>66,853</b>	<b>73,598</b>	<b>27,456</b>	<b>29,169</b>

## 7.20 Deferred Income

DEFERRED INCOME				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b>Falling due after more than one year</b>				
Customers' Contributions				
Opening Balance	12,425	12,281	-	-
Received in the year	677	651	-	-
Released to I&E Account in the year	(507)	(507)	-	-
<b>Closing Balance</b>	<b>12,595</b>	<b>12,425</b>	<b>-</b>	<b>-</b>

Deferred income represents amounts paid in advance by customers of the Manx Utilities Authority.



## 7.21 Loans Payable

### 7.21.1 Central Government

The external debt of Government (other than temporary borrowing by way of Bank overdraft) comprises Bonds issued under the Isle of Man Loans Act 1958-74.

Loans payable comprise £260 million (2015/16: £260 million) in respect of loans issued from the Consolidated Loans Fund to the Manx Utilities Authority. These amounts relate to amounts raised by Treasury through a Bond Issue on behalf of the Statutory Board, the proceeds of which were then loaned to the Statutory Board.

The Bonds have the following details:

MANX UTILITIES AUTHORITY BONDS			
Statutory Board	Amount	Interest rate	Maturity Date
Manx Utilities Authority (former Isle of Man Water and Sewerage Authority)	£75 million	5.625% (fixed)	29 March 2030
Manx Utilities Authority (former Manx Electricity Authority)	£185 million	5.375% (fixed)	14 August 2034

### 7.21.2 Group Accounts

Loans payable includes £2.7 million (2015/16: £2.8 million) due to local authorities by the Manx Utilities Authority. The loans are in respect of obligations taken on for sewer mains and sewerage assets transferred to the Authority prior to 2007.

LOANS PAYABLE				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
5.625% Bonds repayable March 2030	75,000	75,000	75,000	75,000
5.375% Bonds repayable August 2034	185,000	185,000	185,000	185,000
Local Authority loans taken over (MUA)	2,540	2,837	-	-
<b>Total Long Term Loans</b>	<b>262,540</b>	<b>262,837</b>	<b>260,000</b>	<b>260,000</b>
Bank Overdrafts	15,010	21,647	14,943	21,512
<b>Total Loans Payable</b>	<b>277,550</b>	<b>284,484</b>	<b>274,943</b>	<b>281,512</b>



## 7.22 Other Financial Assets and Liabilities

### 7.22.1 Finance leases

The future minimum finance lease payments are as follows:

FINANCE LEASE OBLIGATIONS				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b>Payments Due:</b>				
<b>Falling due within one year:</b>				
Within one year	5,646	5,295	1,713	1,613
<b>Falling due after one year:</b>				
Between one and five years	34,103	30,372	10,283	9,686
Later than five years	20,155	27,294	17,173	19,483
<b>Sub-Total</b>	<b>54,258</b>	<b>57,666</b>	<b>27,456</b>	<b>29,169</b>
<b>Total</b>	<b>59,904</b>	<b>62,961</b>	<b>29,169</b>	<b>30,782</b>

### Central Government

At 31 March 2017 there was one material finance lease in existence in respect of the Energy from Waste Plant in Braddan, which was the subject of a sale and lease back agreement in 2004. During the year to 31 March 2017 the annual rental of £3.4 million (2015/16: £3.4 million) was charged to the Income and Expenditure Account of the Department of Infrastructure. That amount is payable until the final payment which is due on 28 September 2028.

The finance liability represents the present value of expected future capacity payments discounted at an interest rate of 6.2% per annum. This amount has been included in fixed assets and is depreciated over 20 years.

### Group Accounts

In 2002, the Manx Electricity Authority entered into contractual arrangements to obtain capacity on the natural gas inter-connector between the UK and the Republic of Ireland and to construct a spur pipeline to connect the Isle of Man to the inter-connector. These contractual arrangements were entered into by the Authority in order to bring natural gas to the Isle of Man to supply the Authority and other third party users.

The Isle of Man Pipeline Connection Agreement relates to the use of the spur pipeline linking the Moffat Distribution System and the west coast of the Isle of Man. Under the terms of the agreement, the Manx Utilities Authority pays the operator for the construction costs of the spur pipeline until 30 September 2023.

The finance liability represents the present value of expected future capacity payments discounted at an interest rate of 5.5% per annum. This amount has been included in tangible assets and is depreciated over 60 years. Operating and maintenance charges also arise under the spur inter-connector Agreement and are charged to the Income and Expenditure account.

The amounts due under this agreement are payable in Euros (€). At the 31 March 2017 the Manx Utilities Authority had contracts in place for monthly commitments to purchase Euros at a predefined rate until March 2018. The total nominal amount of these contracts at 31 March 2017 was €13.2 million which equates to a Sterling commitment of £10.2 million (2015/16: €26.4 million, £20.3 million).



### 7.22.2 Derivatives

FINANCIAL ASSETS				
	Group		Central Government	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Falling due within 1 year				
Forward purchases of currency	396	-	-	-
Falling due after 1 year				
Forward purchase of natural gas	2,238	-	-	-
<b>Total</b>	<b>2,634</b>	<b>-</b>	<b>-</b>	<b>-</b>

FINANCIAL LIABILITIES				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Falling due within 1 year				
Forward purchase of natural gas	2,261	8,912	-	-
Forward purchases of currency	-	95	-	-
<b>Sub-total</b>	<b>2,261</b>	<b>9,007</b>	<b>-</b>	<b>-</b>
Falling due after 1 year				
Forward purchase of natural gas	-	2,917	-	-
Forward purchases of currency	-	590	-	-
<b>Sub-total</b>	<b>-</b>	<b>3,507</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,261</b>	<b>12,514</b>	<b>-</b>	<b>-</b>

#### Derivative financial instruments – Forward Purchase Contracts

- The Manx Utilities Authority has entered into a number of contracts to purchase gas at a pre-determined price for delivery between April 2016 and March 2019, in order to hedge against gas price volatility. At the Balance Sheet date the amount of these commitments was £25.1 million (2015/16: £28.1 million).
- The contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward market price at the balance sheet date and the quantity of gas purchased. The fair value of the forward natural gas purchase contracts is £25.1 million (2015/16: £16.3 million).
- Additionally, the Manx Utilities Authority enters into forward contracts to purchase Euros in order to protect against foreign currency exchange volatility on charges paid in respect of the Gas Interconnector and the Spur Pipeline, which are invoiced in Euros. At the Balance Sheet date Manx Utilities had contracts in place for monthly commitments to purchase Euros at a pre-defined rate until March 2018. The nominal amount of these contracts at 31 March 2017 was €13.2 million which equates to a Sterling commitment of £10.2 million.
- The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for Sterling to Euros. The fair value of the forward foreign currency contracts is £11.3 million (2015/16: £20.9 million).



## 7.23 Movements on Reserves

### 7.23.1 Net General Revenue Account

The movement on the General Revenue Account is shown in the Statement of Total Movement on the General Revenue Account Balance (Section 6.4).

### 7.23.2 General Revenue Adjustments Account

GENERAL REVENUE ADJUSTMENTS ACCOUNT				
	Group		Central Government	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Balance brought forward	(395,014)	(396,833)	(396,948)	(398,754)
Fixed assets adjustments	(60,767)	(16,755)	(60,767)	(16,755)
Pensions adjustments	(832,000)	18,000	(832,000)	18,000
Other	(2,427)	574	(2,436)	561
<b>Total</b>	<b>(1,290,208)</b>	<b>(395,014)</b>	<b>(1,292,151)</b>	<b>(396,948)</b>

Adjustments which are required to comply with current applicable Accounting Standards and are applied to the Income and Expenditure Account but which are not included in the Government's budget are applied to the General Revenue Adjustments Account and not the Net General Revenue Account.

### 7.23.3 External Funds and Reserves

The Government has eight externally managed funds and reserves. These are reserves where the invested assets relating to each reserve are managed by external investment managers.

Details of balances and movements on externally managed funds and reserves are provided in Note 7.14.5.



### 7.23.4 Internal Funds – Central Government

INTERNAL FUNDS - CENTRAL GOVERNMENT							
Internal Revenue Fund or Reserve	Balances brought Forward 1 Apr 16 £000	Income			Expenditure		Balances Carried Forward 31 Mar 17 £000
		Transfers to/from Operating Account £000	Contributions Seizures & other £000	Investment Income £000	Transfers to Internal Accounts £000	Inter-fund Transfers £000	
Academic Business Planning Fund	-	-	450	-	-	-	450
Agriculture and Forestry Fund	3,084	-	-	25	771	-	2,338
Contingency Fund	-	5,000	-	194	-	-	5,194
Digital Strategy Fund (was ICT Fund)	3,524	5,000	37	50	1,159	-	7,452
Economic Development Fund	9,205	-	-	157	65	-	9,297
Government Energy Initiatives Capital Fund	1,852	-	-	-	-	1,852	-
Government Marketing Initiatives Fund	3,158	2,400	-	36	748	-	4,846
Healthcare Transformation Fund (was Health Inspection Fund)	4,162	-	1,283	34	1,666	-	3,813
Housing Reserve Fund	9,237	-	2,829	76	4,121	-	8,021
Invest to Save Fund (was Restructure Fund)	3,221	-	5	42	1,171	(1,852)	3,949
Land & Property Acquisition Reserve	2,536	2,000	-	21	2,857	-	1,700
Legal Costs Reserve	3,757	-	-	31	2,429	-	1,359
Medical Indemnity Fund	4,399	-	-	36	994	-	3,441
Seized Assets Fund	3,378	-	67	28	993	-	2,480
Town & Village Centre Regeneration Fund	3,092	-	-	25	1,503	-	1,614
<b>Total</b>	<b>54,605</b>	<b>14,400</b>	<b>4,671</b>	<b>755</b>	<b>18,477</b>	<b>-</b>	<b>55,954</b>

The internally managed funds are funds allocated from General Revenue to provide funding for a specific purpose. The assets invested for each fund comprise cash deposits based with local banks and are not separately identifiable from other General Revenue cash deposits.

Details of each fund, including a brief description of the purpose of each fund, can be found in Section 9 of the Detailed Government Accounts. There are some slight rounding differences in the table above compared to the Detailed Government Accounts.



**7.23.5 Internal Funds – Group Accounts**

<b>INTERNAL FUNDS - GROUP</b>					
	<b>Balances brought Forward 1 Apr 16 £000</b>	<b>Income</b>		<b>Expenditure</b>	<b>Balances Carried Forward 31 Mar 17 £000</b>
		<b>Contributions Seizures &amp; Other £000</b>	<b>Realised Income £000</b>	<b>Internal Transfers and Other Expenses £000</b>	
<b>Treasury funds</b>					
Internally managed funds	54,605	19,071	755	(18,477)	55,954
<b>Other funds</b>					
<u>Isle of Man Post Office</u>					
Reserves	14,818	-	-	(8,507)	6,311
<u>Manx Utilities Authority</u>					
Reserves	(62,029)	-	-	3,167	(58,862)
<u>Owned Companies</u>					
Reserves	771	(50)	-	-	721
<b>Total</b>	<b>8,165</b>	<b>19,021</b>	<b>755</b>	<b>(23,817)</b>	<b>4,124</b>





## 7.24 Pensions

### 7.24.1 Overview

The Isle of Man Government operates a number of pensions for staff employed under a variety of pay agreements. These schemes apply to personnel in the various Departments, Boards and Offices within the scope of the Central Government Accounts. The schemes are administered by the Public Sector Pensions Authority, a statutory board of Government. The transactions and balances in respect of these schemes are included within the Central Government figures below.

Whilst the Treasury has established a reserve fund to address the emerging pension liability, these schemes are accounted for as unfunded schemes as the Public Service Employees' Pension Reserve is not exclusively used to meet pension scheme liabilities and its assets are not allocated to specific schemes.

The schemes operated by Central Government comprise the following:

- Government Unified Scheme
- *Judicial Pension Scheme 1992 (closed scheme)*
- Judicial Pension Scheme 2004
- *Police Pension Regulations 1991 (closed scheme)*
- Police Pension Regulations 2010
- *Superannuation Manual Workers (No 1) Pension Scheme 1973 (closed scheme)*
- Teachers Superannuation Order 2007
- Tynwald Members Pension Schemes 1995

The Isle of Man Post Office operates a separate defined benefit scheme, the transactions and balances of which are included in the Group figures below. The scheme is a funded scheme, contributions to which are determined by a firm of independent actuaries employed by the Trustees.

The scheme operated by the Isle of Man Post Office is as follows:

- The Isle of Man Post Office Superannuation Scheme

### 7.24.2 Assumptions used

The financial assumptions used to calculate scheme liabilities under FRS 102 Section 28 are as follows:

<b>PENSION ASSUMPTIONS USED</b>				
	<b>Group</b>		<b>Central Government</b>	
	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>
Discount rate	2.60%	3.50%	2.60%	3.50%
Salary increase rate	4.34%	4.13%	4.40%	4.20%
Rate of revaluation in deferment	2.30%	2.10%	n/a	n/a
Pension increase rate <sup>1</sup>	2.39%	2.19%	2.40%	2.20%
Expected return on scheme assets	2.55%	3.55%	n/a	n/a
Price inflation rate - Consumer Price Index (CPI)	2.40%	2.20%	2.40%	2.20%

1. The pension increase rate previously reported was formula based from the other assumptions but this has been changed to reflect the rates published within the annual actuarial reports.

Assumptions regarding life expectancy of members are based on published statistics and mortality tables.

The expected return on scheme assets is determined as the best estimate of returns expected over the period from dividends, interest and capital gains, taking into account the expected returns for individual asset categories.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions determined by the Accounting Standard which, due to the timescale covered, may not necessarily be borne out in practice.



### 7.24.3 Amounts recognised in the Balance Sheet

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were as follows:

PENSION AMOUNTS RECOGNISED IN THE BALANCE SHEET				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Equities	49,084	39,424	-	-
Property	13,173	12,889	-	-
Bonds	15,710	13,360	-	-
Other	4,468	3,877	-	-
<b>Fair value of scheme assets</b>	<b>82,435</b>	<b>69,550</b>	-	-
Present value of liabilities	(3,918,624)	(3,064,726)	(3,823,000)	(2,991,000)
<b>Net pension liability</b>	<b>(3,836,189)</b>	<b>(2,995,176)</b>	<b>(3,823,000)</b>	<b>(2,991,000)</b>

### 7.24.4 Reconciliation of scheme liabilities

RECONCILIATION OF SCHEME LIABILITIES				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
At beginning of period	3,064,726	3,085,585	2,991,000	3,009,000
Benefits paid	(90,610)	(87,511)	(88,000)	(85,000)
Employee contributions	19,472	18,463	19,000	18,000
Current service cost	74,505	76,845	73,000	75,000
Interest cost	107,574	88,489	105,000	86,000
Re-measurement losses/(gains):				
- Actuarial losses/(gains)	742,957	(117,145)	723,000	(112,000)
<b>At end of period</b>	<b>3,918,624</b>	<b>3,064,726</b>	<b>3,823,000</b>	<b>2,991,000</b>

### 7.24.5 Changes in the fair value of scheme assets

CHANGES IN THE FAIR VALUE OF SCHEME ASSETS				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
At beginning of period	69,550	71,340	-	-
Benefits paid	(2,610)	(2,511)	-	-
Employee contributions	472	463	-	-
Expected return on assets	2,448	2,336	-	-
Sponsor contributions	926	906	-	-
Actuarial (losses)/gains	11,649	(2,984)	-	-
<b>At end of period</b>	<b>82,435</b>	<b>69,550</b>	-	-



#### 7.24.6 Amounts recognised in the Income and Expenditure Account

AMOUNTS RECOGNISED IN THE INCOME AND EXPENDITURE ACCOUNT				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Current service cost	74,505	76,845	73,000	75,000
Interest on scheme liabilities	107,574	88,489	105,000	86,000
Expected return on scheme assets	(2,448)	(2,336)	-	-
<b>Total expense</b>	<b>179,631</b>	<b>162,998</b>	<b>178,000</b>	<b>161,000</b>
Actual return on scheme assets	14,097	(648)	-	-

#### 7.24.7 Return on plan assets

RETURN ON PLAN ASSETS				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Actual Return on Plan Assets	14,097	(648)	-	-
Actual Return on Plan Assets	<b>14,097</b>	<b>(648)</b>	-	-

#### 7.24.8 Amounts recognised in the Statement of Comprehensive Income

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Actual return less expected return on scheme assets	11,649	(2,984)	-	-
Experience gains and losses arising on scheme liabilities	25,804	23,433	26,000	23,000
Change in assumptions underlying present value of scheme liabilities	(768,761)	93,711	(749,000)	89,000
<b>Net actuarial (losses)/gains recognised in the period</b>	<b>(731,308)</b>	<b>114,160</b>	<b>(723,000)</b>	<b>112,000</b>

#### 7.24.9 Reconciliation of Movement on the General Revenue Account Balance

RECONCILIATION FOR MOVEMENT ON GENERAL REVENUE ACCOUNT BALANCE				
	Group		Central Government	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Amount recognised in the I&E Account	178,000	161,000	178,000	161,000
<b>Add Back:</b>				
Employee Contributions	19,000	18,000	19,000	18,000
Benefits Paid	(88,000)	(85,000)	(88,000)	(85,000)
<b>Total</b>	<b>109,000</b>	<b>94,000</b>	<b>109,000</b>	<b>94,000</b>

Note – IOM Post Office movements do not impact the General Revenue Account.



### 7.24.10 Cumulative net actuarial gains and losses recognised in the Statement of Comprehensive Income

<b>CUMULATIVE NET ACTUARIAL (GAINS)/LOSSES RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME</b>				
	<b>Group</b>		<b>Central Government</b>	
	<b>2016/17 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
At beginning of period	970,319	1,084,479	966,000	1,078,000
Actuarial loss/(gain) on pension scheme	731,308	(114,160)	723,000	(112,000)
<b>At end of period</b>	<b>1,701,627</b>	<b>970,319</b>	<b>1,689,000</b>	<b>966,000</b>

Note – the 2015/16 opening balance for the group has been updated to reflect an adjustment to the 2014/15 actuarial loss which was not updated in this table for the 2015/16 accounts (2015/16 was reported as £969,292).

Cumulative net actuarial (gains)/losses for Central Government have been determined as the amounts recognised in the Statement of Comprehensive Income since the period ended 31 March 2010. Cumulative net actuarial (gains)/losses for other Group entities have been determined as the amounts recognised in the Statement of Comprehensive Income since the period ended 31 March 2004.

The £723 million net actuarial loss for Central Government for 2016/17 comprises a £749 million loss for changes in financial assumptions underlying the present value of scheme liabilities and an 'Other experience' gain of £26 million. This compares to 2015/16 which saw a £112 million actuarial gain comprising a £57 million gain for changes in financial assumptions underlying the present value of scheme liabilities, an experience gain of £23 million and a £32 million gain for changes in the longevity assumption.

### 7.24.11 Historical Information

<b>HISTORICAL INFORMATION</b>					
	<b>Group</b>				
	<b>2017 £000</b>	<b>2016 £000</b>	<b>2015 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>
Present value of scheme Liabilities	(3,918,624)	(3,064,726)	(3,085,585)	(2,384,127)	(2,358,740)
Fair value of scheme assets	82,435	69,550	71,340	64,186	62,506
<b>Net scheme deficit</b>	<b>(3,836,189)</b>	<b>(2,995,176)</b>	<b>(3,014,245)</b>	<b>(2,319,941)</b>	<b>(2,296,234)</b>
Experience adjustments on scheme liabilities	(25,804)	(23,433)	191,367	(174,104)	60,976
Experience adjustments on scheme assets	11,649	(2,984)	5,270	(1,157)	3,803
	<b>Central Government</b>				
	<b>2017 £000</b>	<b>2016 £000</b>	<b>2015 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>
Present value of scheme Liabilities	(3,823,000)	(2,991,000)	(3,009,000)	(2,318,000)	(2,291,000)
Fair value of scheme assets	-	-	-	-	-
<b>Net scheme deficit</b>	<b>(3,823,000)</b>	<b>(2,991,000)</b>	<b>(3,009,000)</b>	<b>(2,318,000)</b>	<b>(2,291,000)</b>
Experience adjustments on scheme liabilities	(26,000)	(23,000)	194,000	(175,000)	61,000
Experience adjustments on scheme assets	-	-	-	-	-

The Group figures for 2015 and 2016 have been restated following the correction made to 2014/15 referred to in note 7.24.10 above. (The 'Experience adjustments on scheme liabilities' were previously reported as £196,633 for 2015 and (£22,567) for 2016).



## 7.25 Contingent Assets

As at 31 March 2017, grants totalling £17.5 million had been issued under House Purchase Assistance Schemes currently operated by the Department of Infrastructure (unchanged from 2015/16 as grants are no longer issued). These grants depreciate by 20% of the original value at 5 year intervals, and outstanding grants are repayable on disposal of the property. Total currently outstanding (i.e. less depreciation and repayment) is £7.9 million (2015/16: £8.6 million).

At the same date, loans totalling £23.9 million (including accrued interest) (2015/16: £23.2 million) had also been issued under House Purchase Assistance Schemes (since 1999) to date. The current loan balance outstanding is £17.8 million (2015/16: £17.7 million).

## 7.26 Contingent Liabilities

This statement records Government's identified potential liabilities and specific guarantees. No provision for threatened or pending legal actions outstanding has been made in these Accounts as the likelihood of these actions giving rise to material liabilities is considered remote.

Specific guarantees or potential liabilities at 31 March 2017 totalled £253.7 million (2015/16: £225.5 million), as set out below:

<b>CONTINGENT LIABILITIES</b>					
	Note	Group		Central Government	
		2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Local Authority Borrowing	i	214,116	212,745	214,116	212,745
Medical Indemnity Fund	ii	9,503	3,970	9,503	3,970
Insurance		4,211	4,211	4,211	4,211
Meat Plant	iii	300	1,000	300	1,000
Economic Development Fund	iv	410	410	410	410
Student Loans	v	161	199	161	199
Bord Gais Energy limited	vi	25,000	-	-	-
<b>Total</b>		<b>253,701</b>	<b>222,535</b>	<b>228,701</b>	<b>222,535</b>

- i. Local Authority Borrowing relates to Letters of Comfort issued by Treasury to Bankers in relation to authorised Local Authority borrowing to a value of £275.0 million at 31 March 2017 (2015/16: £262.0 million).
- ii. The Medical Indemnity Fund and Insurance amounts relate to notified insurance claims. The amounts represent the maximum anticipated liability for these incidents, although it is still to be determined if Government has a liability in each case. The amount payable will depend on the final agreement of the liability for each claim with the claimant and the claims will be paid, if required, following this agreement.
- iii. The Meat Plant amount relates to guarantees to farmers in respect of stock submitted for slaughter within 21 days of closure
- iv. The Economic Development Fund amounts relate to guarantees issued from that Fund.
- v. The Department of Education and Children and the Treasury have signed an agreement with the Isle of Man Bank Limited to indemnify the bank for losses in respect of student loans issued by the bank. The maximum amount guaranteed under this facility is £10.0 million (2015/16: £10.0 million).
- vi. During 2016/2017 Treasury provided a guarantee in support of the Manx Utility Authority's "Route to Market" trading framework agreement with Bord Gais Energy limited, to the maximum value of £25 million. The guarantee provides security of supply to the Island's natural gas pipeline, and reduces gas price risk for the Authority.
- vii. Additionally, Isle of Man Government has given an undertaking to financially support the Manx Utilities Authority.



## 7.27 Post Balance Sheet Events

There have been no material Post Balance Sheet Events identified since preparing these Accounts.

## 7.28 Related Party Transactions

Section 33 of FRS102 requires an entity to disclose within its financial statements material transactions with related parties, that is bodies or individuals, that have the potential to control or influence Government Departments, Boards and Offices, or to be controlled or influenced by the same.

Disclosure of these transactions allows the readers to assess the extent to which the Government might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Government. Due to the nature of Isle of Man Government's business, the main related parties considered are Members of Tynwald Court and senior management of Government.

### 7.28.1 Group

In accordance with FRS102 Section 33 transactions and balances between the Isle of Man Government, the Manx Utilities Authority, the Isle of Man Post Office and the Government-owned companies are not disclosed in this note.

Details of balances held are disclosed in the Accounts of those bodies, however.

#### Manx Utilities Authority

Apart from transactions with Isle of Man Government, the other related party transactions were with wholly owned subsidiaries and so have also not been disclosed.

There were no transactions with key management personnel during the year other than in respect of the supply of utility services and contracts of employment on Manx Utilities' standard term and conditions. The total value of compensation to key management is included at note 7.6.

#### Isle of Man Post Office

The Board of the Isle of Man Post Office considers the main related parties are the Isle of Man Post Office Superannuation Scheme ("the Scheme"), members of the Board and Senior Management of the Isle of Man Post Office.

In respect of the Scheme the Post Office pays pensions and other certain costs on behalf of the Scheme as well as making contributions to the Scheme. These balances are settled by recharges between the scheme and the Post Office during the year.

ISLE OF MAN POST OFFICE SUPERANNUATION SCHEME		
	31 Mar 17	31 Mar 16
	£000	£000
Pensions paid on behalf of the Scheme	1,813	1,762
Net recharges made to the Scheme	410	315
Balance owed by the Scheme	(175)	(188)

The Isle of Man Post Office has an interest in a company and the relevant disclosure can be found in Note 7.15.2.

The total value of compensation to key management is included at Note 7.6.



## 7.28.2 Related Party Transactions - Central Government

### (i) 2016/2017

RELATED PARTY TRANSACTIONS - 2016/17					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt	Type of payment made to company	Year End balance 31/03/2017
Dr A Allinson, MHK from September 2016	Ramsey Group Practice	Equity Partner	£2,635	Medical services	£198
	Motiv8	Director	£141,880	Provision of services	-
Mr D M Anderson MLC	Anderson Farms Ltd	Owner/ Director	£18,679	Consisting of Agricultural Development Scheme grant, and other relevant payments	-
Mr T S Baker, MHK from September 2016 and Mrs Baker	Buffalo Bowling & Leisure Ltd	Director	£2,998	Payments made against relevant supplier invoices	-
Mrs K J Beecroft MHK	Manx Home Care Ltd	Director	£127,077	Payments made against relevant supplier invoices	-
Mrs C Christian, President of Tynwald until July 2016	Ballafayle Farm Ltd	Owner	£729	Consisting of Agricultural Development Scheme Grant	-
Mr C G Corkish MLC	Douglas Buxton Music Trust	Chairman / Director	£1,522	Payments made against relevant supplier invoices	-
	IOM/Anti-Cancer Association	Director	£4,407	Payments made against relevant supplier invoices	-
Mrs C A Corlett, MHK from September 2016	Niarbyl Catering	Director	£1,764	Payments made against relevant supplier invoices	-
Mr J Clarke, Financial Services Authority Board Member	Capital International Fund Managers Limited	Non-Executive Director	£641,081	Payments made against relevant supplier invoices	-
Mr G D Cregeen MHK	IOM Gymnastics Association	Chairman / Director	£2,450	Payments made against relevant supplier invoices	£2,820
Mr P A Gawne, MHK until September 2016	Mooijer Veggey	Chairman / Director	£8,313	Payments made against relevant supplier invoices	-
Mrs S Lowe, Chief Financial Officer, The Treasury	Small Countries Financial Management	Board Member as part of CFO role	£307,218	Payments made against relevant supplier invoices	-
Mr P McEvoy, Director of Agriculture, DEFA	Manx Wildlife Trust	Director	£109,452	Payments made against relevant supplier invoices	-
Mr G R Peake MHK	Professional Lighting Design Ltd	Director	£11,850	Payments made against relevant supplier invoices	-
	Peake Enterprises Ltd	Director until January 2017	£5,532	Payments made against relevant supplier invoices	-
Mr M J Perkins, MHK from September 2016	Manx Engineers Ltd	Director until 30/01/2017	£31,190	Payments made against relevant supplier invoices	-

2016/17 related party note continues on next page.



**7.28.2 Related Party Transactions - Central Government (Continued)**

RELATED PARTY TRANSACTIONS - 2016/17 (Continued)					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt	Type of payment made to company	Year End balance 31/03/2017
Mr R H Quayle MHK	Ballavitchel Estates Ltd	Owner/ Director	£6,521	Payments of Agricultural Development Scheme	-
Mr J L M Quinn Attorney General	The Sefton Group	Shareholder/ debtor	£74,926	Payments made against relevant supplier invoices	£1,526
				Government Loan issued, repayable 31/03/2018	£1,300,000
	Kilkenny Farms Ltd	Owner	£1,054	Payments of Agricultural Development Scheme	-
Mr S C Rodan MLC	Laxey Chemist Ltd	Director	£8,266	Payments made against relevant supplier invoices	£561
Mr L D Skelly MHK Mrs Skelly	Manx Inspirations	Director	£18,306	Payments made against relevant supplier invoices	£844
Mr J P Watterson MHK	Southern Befrienders Ltd	Treasurer/ Director	£10,000	Grant payment	-
	Rushen Heritage Trust	Director	£2,675	Fee paid in relation to RHT exhibition	-

**Notes**

- i. On 22<sup>nd</sup> September 2016 there was a general election in which a number of Members of Tynwald changed. The amounts above therefore only relate to the period during which the Member served.
- ii. Members of Tynwald are required to register certain interests in the Register of Members' Interests, a copy of which can be inspected at the Tynwald Library.
- iii. Details of the remuneration paid to Members of Tynwald Court is published by the Clerk of Tynwald's Office and can be accessed via the Tynwald website at <http://www.tynwald.org.im/memoff/remall/Pages/default.aspx>.
- iv. Ministers of Departments are considered to be 'key management' so the compensation paid to Ministers during the year has been included within the note 7.6.
- v. The Government has interests in companies and the relevant disclosures can be found in Note 7.15.





## 7.28.2 Related Party Transactions - Central Government (Continued)

### (ii) Related Parties - 2015/2016

RELATED PARTY TRANSACTIONS - 2015/16					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt	Type of payment made to company	Year End balance 31/03/2016
Mr D M Anderson MHK	Anderson Farms Ltd	Owner/ Director	£78,826	Consisting of Countryside Care Scheme Grant, Agricultural Development grant, FHIS Grant, and other relevant payments	-
Mrs C M Christian President of Tynwald	Ballafayle Farm Ltd	Owner	£2,583	Consisting of County Care scheme Grant and Agricultural Development Grant	-
Mr R H Quayle MHK	Ballavitchel Estates Ltd	Owner/ Director	£30,812	Consisting of Countryside Care Scheme Grant and Agricultural Development Grant	-
Mr P A Gawne MHK	Mooijer Veggey	Chairman / Director	£451,142	Payments made against relevant supplier invoices	£113,274
	Southern Community Initiatives	Director	£11,330	Payments made against relevant supplier invoices	-
Mr J L M Quinn Acting Attorney General	The Sefton Group	Shareholder/ Debtor	£72,450	- Payments made against relevant supplier invoices - Loan issued in 2013/14 repayable in 2018	£6,996 £1,300,000
	Kilkenny Farms Ltd	Owner	£2,275	Consisting of Countryside Care Scheme Grant and Agricultural Development Grant	-
Mrs K J Beecroft MHK	Manx Care Home Ltd	Director	£113,593	Payments made against relevant supplier invoices	-
Mr A L Cannan MHK	McKenzie Fox Ltd	Director	£3,250	Payments made against relevant supplier invoices	-
Mr G R Peake MHK	Professional Lighting Design Ltd	Director	£11,986	Payments made against relevant supplier invoices	-
Mr S C Rodan MHK Speaker of the House of Keys	Laxey Chemist Ltd	Director	£7,332	Payments made against relevant supplier invoices	-
	Laxey & Lonan Heritage Trust Ltd	Director	£3,000	Payments made against relevant supplier invoices	-
Mr L D Skelly MHK Mrs Skelly	Manx Inspirations	Director	£28,863	Payments made against relevant supplier invoices	-
Mr T P Wild MLC	Laxey & Lonan Heritage Trust Ltd	Director	£3,000	Payments made against relevant supplier invoices	-

#### Notes

- i. The 2015/16 entry for Ballamoar Farm Ltd against Mr Anderson has been removed as this is a different organisation than the Ballamoar Farm declared by Mr Anderson in the Register of Members' Interests.



**7.29 Reconciliation of Net Cash Flow from Operating Activities**

<b>RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES</b>				
	<b>Group</b>		<b>Central Government</b>	
	<b>2016-17 £000</b>	<b>2015-16 £000</b>	<b>2016-17 £000</b>	<b>2015-16 £000</b>
Surplus Before Interest	19,030	52,993	1,059	23,657
- Net transfer to reserves	(93,071)	(82,932)	(81,146)	(84,850)
<b>Operating (Deficit)</b>	<b>(74,041)</b>	<b>(29,939)</b>	<b>(80,087)</b>	<b>(61,193)</b>
Depreciation and amortisation charges	118,174	118,140	95,609	97,220
Loss on Revaluation	153	-	-	-
Deferred income release	(507)	(507)	-	-
Net transfer to external reserves	(10,384)	(21,595)	(23,847)	(19,677)
(Gain)/loss on disposal of fixed assets	(386)	(1,445)	(654)	259
Unrealised gain/(loss) on forward purchase contracts	7,368	(10,710)	-	-
Unrealised (loss)/gain on currency revaluation	(4,727)	6,362	-	-
Defined benefit scheme - current service cost in excess of contributions	4,579	8,939	4,000	8,000
<b>Movements in working capital:</b>				-
- (Increase)/Decrease in stocks	(1,681)	(70)	(1,359)	282
- Decrease/(Increase) in debtors	6,795	(8,592)	7,502	(4,409)
- Increase/(Decrease) in creditors	9,389	(2,428)	9,050	523
<b>Net cash inflow/(outflow) from operating activities</b>	<b>54,732</b>	<b>58,155</b>	<b>10,214</b>	<b>21,005</b>



## 8 Reconciliation of Expenditure of Departments and Other Bodies

### 8.1 Overview

Detailed information in respect of Central Government income and expenditure is reported in the Detailed Government Accounts (GD 2017/0024).

The Detailed Government Accounts are prepared on the same basis as the Government Budget for the year, which is intended to present income and expenditure figures which are consistent year on year and represent an accurate presentation of the costs of the major services provided by Government through funds voted by Tynwald.

As the annual Audited Accounts are required to be prepared in accordance with the Audit Act 2006, which requires United Kingdom Accounting Standards to be applied, differences between income and expenditure figures reported in the Detailed Government Accounts and the annual Audited Accounts arise.

The approved budget comprises amounts authorised by Tynwald at the time the original budget was presented for approval together with any subsequent approvals authorised by Tynwald or Treasury up to the date when the Detailed Government Accounts were prepared. Any subsequent approvals or transfers (virements) are not included.

### 8.2 Reconciliation of Department Expenditure

The following table shows net expenditure by Department for 2016/17 as reported in the Detailed Government Accounts and the adjustments applied to re-state the net expenditure figures to the required United Kingdom Accounting Standards basis.

Fixed assets adjustments relate to the capitalisation of expenditure, application of depreciation and elimination of loan charges.

Pension adjustments apply the current service cost for the year apportioned to Departments based on actual salary costs and eliminate the cost of pensions paid.

Other adjustments include the reversal of lease costs paid by the Department of Infrastructure in respect of the Energy from Waste plant (the financing cost is included within Interest Payable and Similar Charges), the movement on House Purchase Assistance Schemes' balances for the Department of Infrastructure and the movement on the value of the strategic oil reserve (which is excluded from the Detailed Government Accounts).



## 8.2 - Reconciliation of Department Expenditure (Continued)

RECONCILIATION OF NET DEPARTMENT EXPENDITURE					
	Central Government - 2016/17				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
<b>Government Departments</b>					
Cabinet Office	30,385	318	3,362	(20)	34,045
Economic Development	2,646	495	2,428	65	5,634
Education & Children	95,418	9,481	16,650	29	121,578
Environment, Food & Agriculture	14,783	276	1,496	16	16,571
Health & Social Care	209,583	3,795	26,014	1,993	241,385
Home Affairs	31,528	1,872	6,942	349	40,691
Infrastructure	53,529	61,084	8,213	(2,878)	119,948
Treasury	309,808	(163)	3,067	8,681	321,393
	<b>747,680</b>	<b>77,158</b>	<b>68,172</b>	<b>8,235</b>	<b>901,245</b>
<b>Other bodies</b>					
Executive Government	9,029	1	(67,010)	21	(57,959)
Manx Museum and National Trust	4,285	(39)	642	(4)	4,884
Road Transport Licensing Comm.	85	-	20	-	105
Stat. Boards (Revenue Funded)	(409)	8	1,546	(16)	1,129
	<b>12,990</b>	<b>(30)</b>	<b>(64,802)</b>	<b>1</b>	<b>(51,841)</b>
<b>Expenses of the Legislature</b>	4,448	(340)	630	1	4,739
<b>Total Voted Expenditure</b>	<b>765,118</b>	<b>76,788</b>	<b>4,000</b>	<b>8,237</b>	<b>854,143</b>

RECONCILIATION OF NET DEPARTMENT EXPENDITURE					
	Central Government - 2015/16				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
<b>Government Departments</b>					
Cabinet Office	25,531	(2,616)	3,140	6	26,061
Economic Development	1,205	1,729	2,299	-	5,233
Education & Children	90,414	5,272	18,541	-	114,227
Environment, Food & Agriculture	13,578	(1,270)	1,571	2	13,881
Health & Social Care	193,606	11,137	25,689	10	230,442
Home Affairs	27,927	3,906	6,546	(10)	38,369
Infrastructure	45,912	59,182	8,268	(3,347)	110,015
Treasury	302,101	(1,770)	3,435	2,838	306,604
	<b>700,274</b>	<b>75,570</b>	<b>69,489</b>	<b>(501)</b>	<b>844,832</b>
<b>Other bodies</b>					
Executive Government	38,204	3	(64,628)	(3)	(26,424)
Manx Museum and National Trust	3,933	(650)	666	-	3,949
Road Transport Licensing Comm.	84	-	20	-	104
Stat. Boards (Revenue Funded)	(837)	(1)	1,600	19	781
	<b>41,384</b>	<b>(648)</b>	<b>(62,342)</b>	<b>16</b>	<b>(21,590)</b>
<b>Expenses of the Legislature</b>	3,853	(335)	853	17	4,388
<b>Total Voted Expenditure</b>	<b>745,511</b>	<b>74,587</b>	<b>8,000</b>	<b>(468)</b>	<b>827,630</b>



## 8.2 - Reconciliation of Department Expenditure (Continued)

DEPARTMENT NET EXPENDITURE - VARIANCE TO PRIOR YEAR					
	Variance to Prior Year				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
<b>Government Departments</b>					
Cabinet Office	(4,854)	(2,934)	(222)	26	<b>(7,984)</b>
Economic Development	(1,441)	1,234	(129)	(65)	<b>(401)</b>
Education & Children	(5,004)	(4,209)	1,891	(29)	<b>(7,351)</b>
Environment, Food & Agriculture	(1,205)	(1,546)	75	(14)	<b>(2,690)</b>
Health & Social Care	(15,977)	7,342	(325)	(1,983)	<b>(10,943)</b>
Home Affairs	(3,601)	2,034	(396)	(359)	<b>(2,322)</b>
Infrastructure	(7,617)	(1,902)	55	(469)	<b>(9,933)</b>
Treasury	(7,707)	(1,607)	368	(5,843)	<b>(14,789)</b>
	<b>(47,406)</b>	<b>(1,588)</b>	<b>1,317</b>	<b>(8,736)</b>	<b>(56,413)</b>
<b>Other bodies</b>					
Executive Government	29,175	2	2,382	(24)	<b>31,535</b>
Manx Museum and National Trust	(352)	(611)	24	4	<b>(935)</b>
Road Transport Licensing Comm.	(1)	-	-	-	<b>(1)</b>
Stat. Boards (Revenue Funded)	(428)	(9)	54	35	<b>(348)</b>
	<b>28,394</b>	<b>(618)</b>	<b>2,460</b>	<b>15</b>	<b>30,251</b>
<b>Expenses of the Legislature</b>	(595)	5	223	16	<b>(351)</b>
<b>Total Voted Expenditure</b>	<b>(19,607)</b>	<b>(2,201)</b>	<b>4,000</b>	<b>(8,705)</b>	<b>(26,513)</b>

The above table is the variance in expenditure between 2016/17 and the prior year, 2015/16.

In 2016/17 a net zero was budgeted for pensions expenditure in the Public Sector Pensions Authority (PSPA, part of Executive Government), as Government Departments contributed an additional £22.4 million towards the cost. Previously the PSPA always had a net cost within revenue expenditure, which was £30.8 million in 2015/16, hence why there is a large favourable variance.

This additional contribution to pension costs manifests itself as additional spending in Departments. The Department of Health & Social Care incurred £13.2 million of pension costs in 2016/17 which largely explains the adverse variance reported above. A full breakdown of Departmental pension contributions can be seen in section 5 of the Detailed Government Accounts.

The "Other" adjustments include a movement on the employee holiday accrual, which has increased following pay awards.



## 9 Consolidated Loans Fund

### 9.1 Overview

Detailed information in respect of Central Government capital income and expenditure is reported in the Detailed Government Accounts (GD 2017/0024). The Consolidated Loans Fund provides funding to Departments and other bodies where expenditure will be incurred over a number of years. Its operation is governed by the Isle of Man Loans Act 1974 and it provides a mechanism for allocating funding and funding costs to Departments.

The funding for the Consolidated Loans Fund is currently provided by the Capital Fund (an internal fund) and Fixed Rate Bonds issued by Treasury on behalf of the Manx Utilities Authority. Most of the transactions of the Consolidated Loans Fund are between the Treasury and other Government Departments and other bodies and are therefore eliminated on consolidation. The following section summarises information provided within the Detailed Government Accounts and is prior to consolidation adjustments.

### 9.2 Consolidated Loans Fund Balance Sheet

CONSOLIDATED LOANS FUND BALANCE SHEET		
	Central Government	
	2016/17 £000	2015/16 £000
<b>Assets</b>		
Advances to Borrowing Accounts:-		
Fixed Assets - Central Government	(166,746)	727,175
Loans to Statutory Boards	1,105,632	1,080,646
Long Term Loans	3,541	4,372
Cash at Bank	34,422	46,728
<b>Total</b>	<b>976,849</b>	<b>1,858,921</b>
<b>Liabilities</b>		
Loans Outstanding:-		
Bond Issues	260,000	260,000
Capital Fund	880,054	867,374
Capital Discharged	(163,205)	731,547
<b>Total</b>	<b>976,849</b>	<b>1,858,921</b>

#### Notes:

- i. Fixed Assets represent gross expenditure on assets purchased from Capital Financing. Long Term Loans are shown net of repayments.
- ii. Capital expenditure in 2016/17 totalled £66.1 million (2015/16: £51.6 million).
- iii. The Bond issues referred to above were made by the Treasury on behalf of the Manx Utilities Authority. These amounts relate to amounts raised by Treasury through a Bond Issue, the proceeds of which were then loaned to the Manx Utilities Authority through the Consolidated Loans Fund.
- iv. Apart from the earmarked Bond issues, all of Government Departments' current capital financing requirements is met from internal resources, and all other external debt has been repaid. The sources of funding for Government's on-going capital programme were the interest on the Capital Fund, Departmental principal repayments, Capital Receipts and contributions from the Housing Reserve Fund and the Land and Property Acquisition Reserve.
- v. Net interest of £12.5 million (2015/16: £8.1 million) was paid to the Capital Fund from Departments during the year, as the interest rate was set at 1.50% (2015/16: 1.00%).



## 9.2 Consolidated Loans Fund Balance Sheet Notes (Continued)

- vi. Capital Discharged represents the accumulated payments that have been made out of revenue to pay for capital expenditure, as follows:

RECONCILIATION OF CAPITAL DISCHARGED		
	Central Government	
	2016/17 £000	2015/16 £000
Advances to Borrowing Accounts:-		
Fixed Assets	938,886	1,807,821
Long Term Loans	3,541	4,372
Capital Discharged	163,205	(731,547)
<b>Net Advances Outstanding</b>	<b>1,105,632</b>	<b>1,080,646</b>

## 9.3 Consolidated Loans Fund Interest Transactions

CONSOLIDATED LOANS FUND INTEREST TRANSACTIONS		
	Central Government	
	2016/17 £000	2015/16 £000
<b>Income</b>		
Investment Interest	201	111
Bond Interest recharged to MUA (ex WASA)	4,219	4,219
Bond Interest recharged to MUA (ex MEA)	9,944	9,944
Balance received from Departments	12,479	8,156
<b>Total income</b>	<b>26,843</b>	<b>22,430</b>
<b>Expenditure</b>		
Interest on Bond Issues	14,163	14,163
Interest on Capital Fund	12,680	8,267
<b>Total expenditure</b>	<b>26,843</b>	<b>22,430</b>
<b>Net income/expenditure</b>	-	-

### Notes:

- i. The balance on the Interest Transactions Accounts represents net interest charged to Borrowing Accounts in the year ended 31 March 2017 at an average rate of 1.50% (2015/16: 1.00%).
- ii. Interest on the Manx Utilities Authority Bond Issue of £14.1 million was charged in full to the Authority during the year (2015/16: £14.1 million).



### 9.4 Summary of Capital Advances

SUMMARY OF CAPITAL ADVANCES							
DEPARTMENT	Revised advances outstanding at 1 Apr 16 £000	Advances		Repayments			Advances outstanding at 31 Mar 17 £000
		Year 2016/17 £000	Total to 31 Mar 17 £000	Advances repaid 2016/17 £000	Capital receipts etc. 2016/17 £000	Total Repaid 31 Mar 17 £000	
Cabinet Office	-	181	181	97	-	97	84
Economic Development	13,243	164	36,134	1,276	-	24,003	12,131
Education and Children	102,697	3,396	189,603	4,581	383	88,474	101,129
Environment, Food & Agriculture	14,617	736	31,537	706	280	17,169	14,367
Health and Social Care	125,264	15,068	219,951	6,548	4,121	90,289	129,663
Home Affairs	55,088	2,476	80,426	1,465	-	24,327	56,099
Infrastructure	216,331	25,604	532,434	9,402	109	300,009	232,424
Treasury	6,410	22	110,584	287	-	104,439	6,145
Manx National Heritage	10,501	390	23,309	687	-	13,104	10,204
Expenses of the Legislature	5,758	-	10,257	342	-	4,841	5,416
<b>Sub-Total Central Government</b>	<b>549,909</b>	<b>48,037</b>	<b>1,234,416</b>	<b>25,391</b>	<b>4,893</b>	<b>666,752</b>	<b>567,662</b>
Manx Utilities Authority	530,738	18,037	659,871	10,807	-	121,902	537,968
<b>TOTAL</b>	<b>1,080,647</b>	<b>66,074</b>	<b>1,894,287</b>	<b>36,198</b>	<b>4,893</b>	<b>788,654</b>	<b>1,105,630</b>

The opening balances by Department are slightly different to the closing balances reported in 2015/16 due to transfers of some schemes between Departments. A reconciliation is provided in the Detailed Government Accounts (section 6.6).





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