

GD 2015/0045



Isle of Man
Government

Reilys Ellan Vannin



Isle of Man Government Accounts

For the year ended 31 March 2015

Laid before Tynwald by the Treasury

The Treasury
Finance Division

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ISLE OF MAN GOVERNMENT ACCOUNTS

For the Year Ended 31 March 2015

LAI D 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. This book is 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 2015.

1.2 Accounting Changes

The Isle of Man Government introduced the Audit Act 2006 and Accounts and Audit Regulations 2013 (Statutory Document SD No 0054/13) for accounting and financial reporting effective from the year ended 31 March 2014 and requires the Accounts to be prepared in accordance with the Isle of Man Statement of Recommended Practice 2007 *Accounting for entities subject to the Audit Act 2006* ("the SORP") and Audit Directions 2008.

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. The Accounts for 2014-15 have been produced on the same basis as the 2013-14 Accounts.

1.3 Financial Commentary

The financial commentary 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.

1.4 Statement of Responsibilities

This sets out the respective responsibilities for preparing the Accounts.

1.5 Statement on Internal Control

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 Independent Auditor's Report

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

1.7 Income and Expenditure Account

The Income and Expenditure Account shows in summary form all of the Government's annual income and expenditure, in accordance with the SORP and United Kingdom Accounting Standards, 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.

1.8 Statement of Total Movement on the General Revenue Account Balance

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 Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses 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.

1.10 Balance Sheet

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 Notes to the Accounts

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 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.

1.12 Analysis of Expenditure of Department and Other Bodies

These statements provide a more detailed analysis of the income and expenditure of the individual Departments and other heads of expenditure which appear in summary form 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, which is appropriate and necessary for reporting purposes. These statements show net expenditure against the approved revenue budget and a reconciliation to the figures presented in the Income and Expenditure Account.

1.13 Consolidated Loans Fund

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.

1.14 Additional Information

There are two other annual publications which provide more financial information in support of these Accounts.

Of these, the prime reference document is the "Detailed Government Accounts" (the "Light Blue Book") which is not audited and is published informally as a source of management information within three months of the end of the accounting year. It contains the more detailed version of the Government's Accounts, published to the nearest Pound and one of its functions is that it is used to compile the Dark Blue Book which is published to the nearest thousand Pounds. The Light Blue Book also contains some additional information, comment and explanation about specific accounts including the purpose of the various General Revenue and non-General Revenue funds and how they are operated.

The other publication is the "Accounts and Financial Information" (the "Orange Book") which contains details of Trust Accounts and other third party statements.

**P Primrose, ACMA**

Chief Accountant

Treasury, Finance Division

23 September 2015

2 Financial Commentary

2.1 Introduction

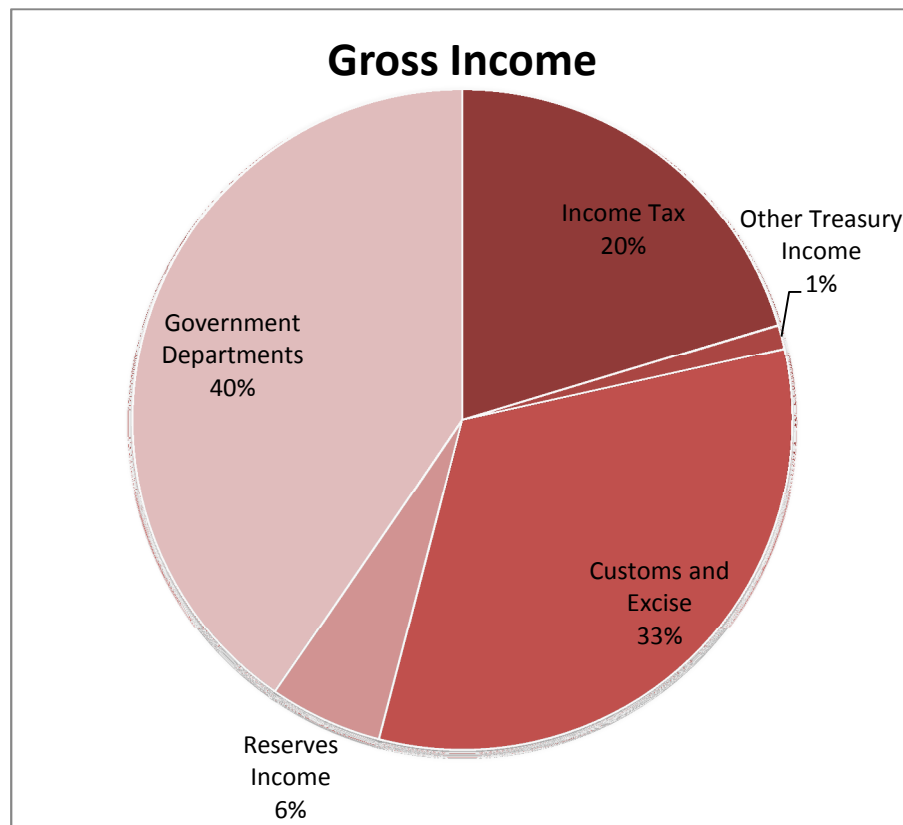
The financial commentary is intended to provide a quick guide to the Government’s annual transactions and its year end position. The graphs included within the commentary add further information and give a visual impression of the relative sizes of the Income and Expenditure Account’s components.

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 seven companies owned by Central Government).

2.2 Central Government

2.2.1 Income

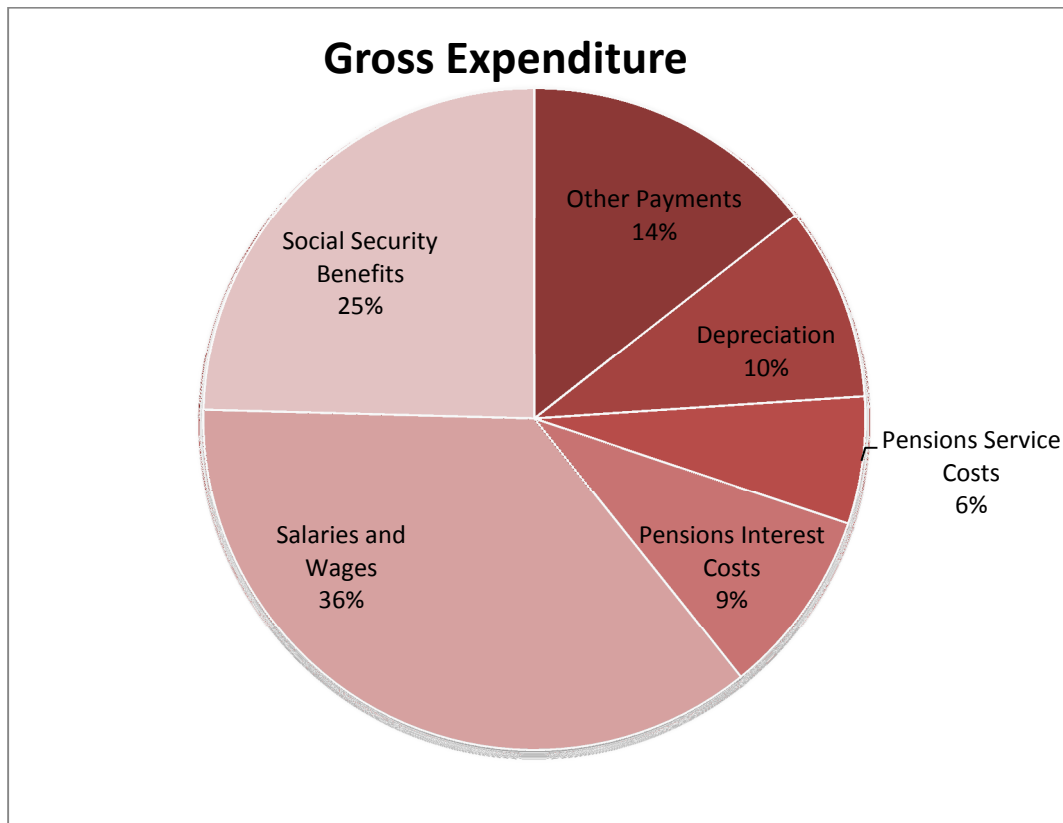
Gross income from all sources at £990.1 million (2014: £969.4 million) was generally in line with the various estimates for Departments and Other Bodies. The increase from the previous year (£20.7 million) was due to Tax income (up £6.5 million), Customs & Excise Income (up £10.6 million) and an increase in Department receipts (up £25.6 million). This was offset by reduced income from reserves (down £20.3 million) and reduced Other Treasury Income (down 1.7m).



2.2.2 Expenditure

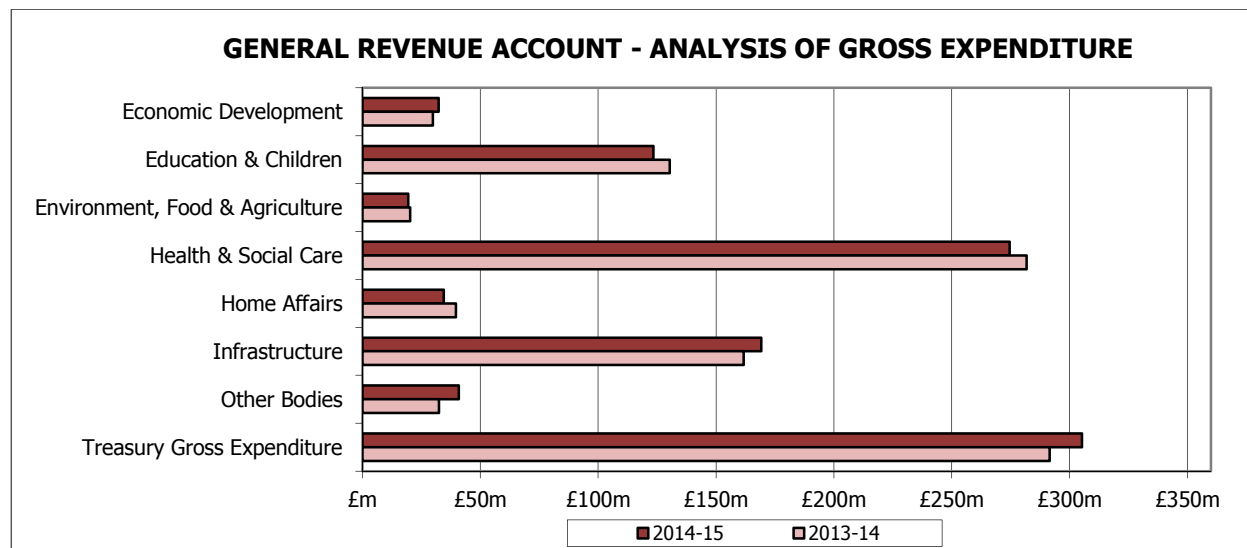
Gross expenditure for 2014-15 was £1,101.5 million (2013-14: £1,086.6 million) and net expenditure was £111.4 million (2013-14: £117.2 million). These figures include pension interest costs of £100.0 million (2013-14: £97.0 million; see 7.20) that reflect the estimated impact of inflation on existing pension liabilities between the annual actuarial valuations of the pension scheme liabilities.

The gross expenditure was £14.9 million higher than 2013-14 due to higher salaries and wages costs (up £15.2 million), higher Social Security Benefits (up £9.4 million) and higher Pensions Interest charged (up £3.0 million). These increases were offset by a reduced depreciation charge (down £8.5 million), reduced Pensions Service Cost (down £2.0 million) and reductions in other costs of £2.2 million.



All Departments stayed within their original expenditure votes for the year.

Expenditure within these Accounts is higher than gross expenditure within the Detailed Government Accounts published earlier in the year (GD 2015/0028) 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.



2.2.3 Transfers to Reserve Funds

The deficit for the year prior to transfers to or from Treasury reserves and funds of £111.4 million (2013-14: £117.2 million) was reduced by an £11.0 million transfer from the Reserve Fund (2013-14: £31.6 million) to £100.4 million (2013-14: £85.6 million). There were transfers to other reserves totalling £0.5 million during the year (2013-14: £8.0 million). The retained balance on the General Revenue Account increased by £4.2 million to £45.5 million (2013-14: increased by £6.8 million to £41.3 million).

2.2.4 Capital Expenditure

Total capital expenditure for the year was £49.4 million (2013-14: £91.2 million). This compares with the original vote of £71.6 million (2013-14: £96.5 million) plus Supplementary Votes of £4.8 million (2013-14: £2.2 million).

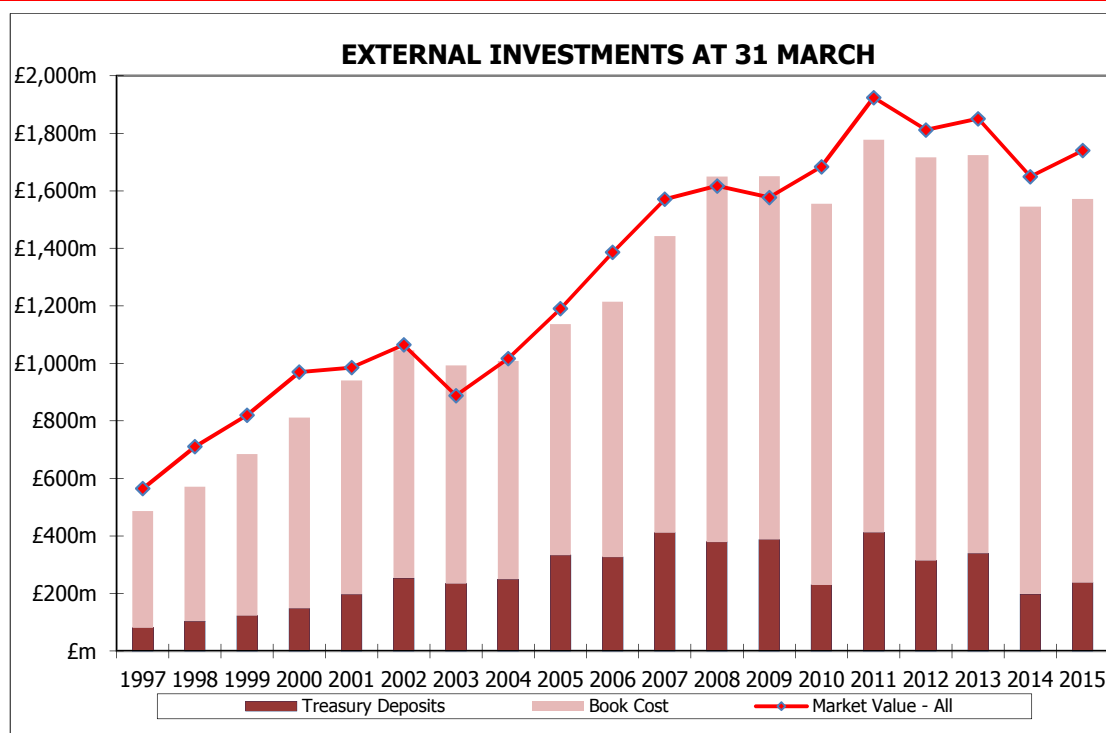


The balance on the Capital Fund at the end of the year was £859.0 million (2014: £859.0 million) and the cash remaining available for capital expenditure was £44.4 million (2014: £50.6 million).

2.2.5 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 2014-15 the market value of the investments (net of transfers into and out of the funds) increased by £48.5 million (3.5%, net of transfers; 2013-14: reduction of £54.5 million, 2.9%, also net of transfers).

Treasury Deposits increased by £39.9 million due to reduction in balances due from HM Revenue and Customs (2013-14: decreased by £141.2 million).



2.2.6 Other Balances

The value of fixed assets increased by £11.3 million to £2,274.4 million (2014: £2,263.2 million) principally due to revaluation of certain properties in accordance with pre-determined schedules.

Long term debtors increased by £7.5 million to £543.7 million (2014: £536.2 million) predominantly due to advancement of capital to MUA.

The pension liability in respect of Government pension schemes increased during the year by £691 million to £3,009 million (2014: £2,318.0 million), principally due to an actuarial loss of £581 million, which included a loss of £477 million due to changes in assumptions applied to actuarial calculations, an experience loss of £194m and a gain of £90m in respect of changes in demographic assumptions (other than mortality). The United Kingdom's Government Actuary's Department has estimated that a reduction in the discount rate (in excess of Consumer Price Index inflation) of 0.5% will lead to an increase in pension liabilities of £310.0 million.

The value of internal investments decreased by £8.6 million to £71.3 million (2013-14: decrease of £13.1 million to £79.9 million, both net of expenditure and transfers) as a result of expenditure reimbursed from the funds exceeding transfers from the General Revenue Account to the reserve funds during the year. The balance on the General Revenue Adjustments Account decreased by £681.7 million to -£397 million (2013-14: decreased by £152.3 million to £284.7 million) as a consequence of the increased pensions liability.

2.3 Group Accounts

2.3.1 Contribution from Statutory Boards

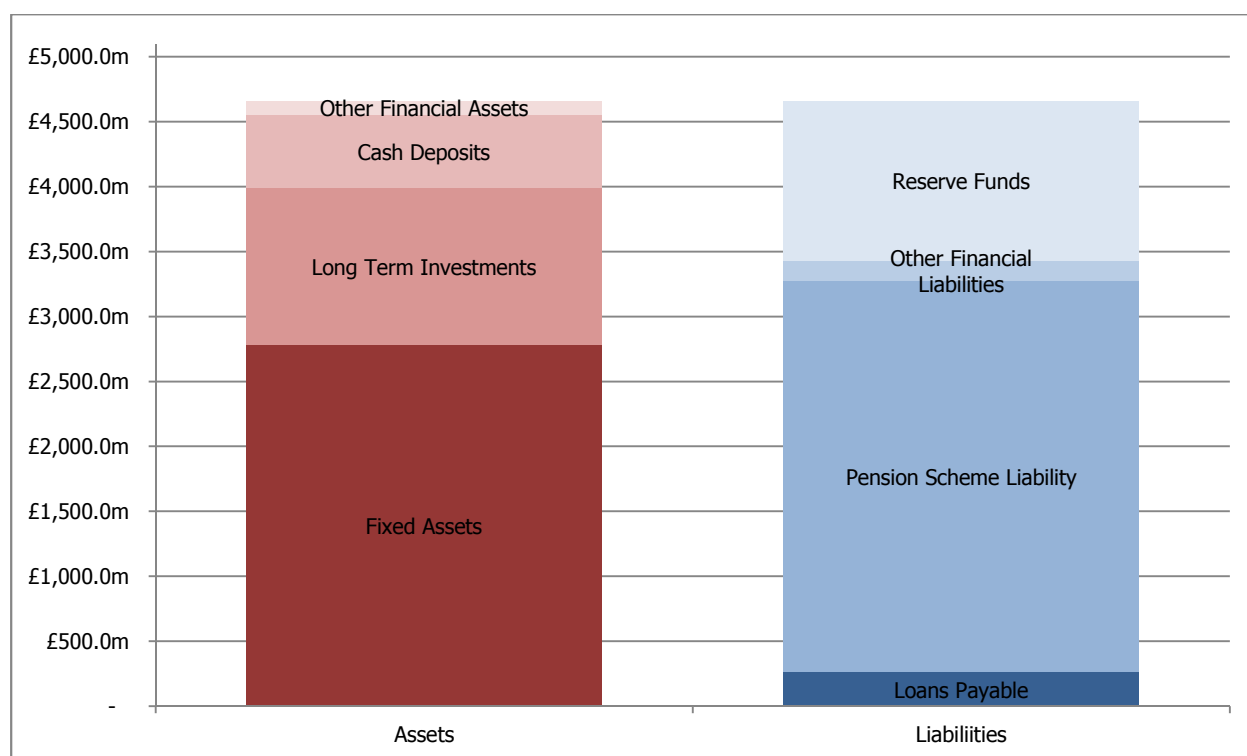
The operational surplus for the two non-revenue funded Statutory Boards and owned companies was £18.8 million (2014: surplus of £12.8 million). However, the surplus reduces to a net surplus for the two non-revenue funded Statutory Boards and owned companies of £1.3 million (2013-14: deficit of £4.8 million) when net interest charges of £15.5 million (2013-14: £15.7 million) are included in respect of the Manx Utilities Authority (£16.4 million, 2013-14 : £14.0 million).

2.3.2 General Revenue Account and Other Balances

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).

During the year the aggregate balance on the reserves held by the two non-revenue funded Statutory Boards and owned companies reduced from £8.8 million to £5.9 million due to the retained losses at the Manx Utilities Authority.

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. The regulations require the Chief Financial Officer to prepare the Accounts in accordance with United Kingdom Accounting Standards and in accordance with proper practices as set out in the Isle of Man Statement of Recommended Practice 2007, *Accounting for entities subject to the Audit Act 2006*.

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 and the SORP.

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 2015, and its income and expenditure for the year ended 31 March 2015.

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 2015 and the financial position of Isle of Man Government as at 31 March 2015.



Sheila Lowe
Chief Financial Officer
Treasury Department
23 September 2015

4 Statement on Internal Control

Year ended 31 March 2015

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 obligations above and, by doing so, then setting out an appropriate programme of development and improvement for the subsequent year.

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.

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

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 Assurance 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 Supervision Commission, 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.

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 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.

I am informed by the Director of Assurance Advisory Division that the results of the work undertaken during the 2014-15 internal audit programme provide adequate assurance on the overall adequacy and effectiveness of the Government's framework of governance, risk management and control with the following exceptions:

- cost improvement, especially financial planning strategy and the process of allocating reducing resources to priority areas of work; and
- Department of Health and Social Care. Due to the level of inspection activity and change within the Department, 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 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.

There have also 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. Both the overall financial control framework itself, and the effectiveness of its application are currently under review and it is anticipated that any identified revisions will commence to be implemented in the forthcoming financial year.

In addition, and subsequent to the assurance work undertaken during the year 2014-15, I am also informed that there are concerns arising over the adequacy of cash management controls in certain parts of Government which would also impact upon the period covered by this statement.

4.4 External Reviews

In addition to the internal review process 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 on Public Accounts.

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

- the governance arrangements associated with the use of the National Insurance Fund to meet administrative expenses;
- the application of the Financial Regulations to the Treasury, which is the department which produces them; and
- 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.

4.5 Planned Areas for Review

A continuous review of effectiveness is the responsibility of each Accounting Officer; as informed by the Assurance 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



Sheila Lowe
Chief Financial Officer
Treasury Department
23 September 2015

Appendix (i) – 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. **In this Code they are all referred to as "departments"**. The following are "designated bodies":

- o **all departments** (Department of Economic Development, Department of Education and Children, Department of the Environment, Food and Agriculture, Department of Health & Social Care, Department of Home Affairs, Department of Infrastructure, and Treasury, that is the bodies established by the Government Departments Act 1987);
- o **all Statutory Boards** (the Communications Commission, Financial Supervision Commission, Gambling Supervision Commission, Insurance and Pensions Authority, Office of Fair Trading, Public Service Pensions Authority; Isle of Man Post Office and the Manx Utilities Authority, that is the bodies to whom the Statutory Boards Act 1987 applies);
- o **any other body or authority** (other than a local authority), for example Manx National Heritage, 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; and
- o **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 Cabinet Office, Attorney General's Chambers, General Registry, Office of the Data Protection Supervisor, Industrial Relations Service, Road Traffic Licensing Committee and Veterans' Welfare Service, which are not "designated bodies".

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 and the Statutory Boards ("the Group") for the year ended 31 March 2015 which comprise the Income and Expenditure Account, the Statement of Total Movement on the General Revenue Account Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (as modified by any Directions issued by Treasury under Section 13 of 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 11, 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 modified by any Directions issued by Treasury under Section 13 of the Audit Act 2006, are properly prepared in accordance with 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 17 to 56:

- give a true and fair view of the state of the Isle of Man Government's affairs as at 31 March 2015 and of its deficit for the year then ended; and
- have been properly prepared in accordance with UK Accounting Standards as modified by any Directions issued by Treasury under section 13 of the Audit Act 2006 and the Accounts and Audit Regulations 2013.

5.5 Matters on which we are required to report by exception

In accordance with section 4 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 4.3 on page 13 of the financial statements, there were instances where Treasury's Financial Regulations were not appropriately applied, in particular those relating to the procurement of goods and services. Specifically, we note that the Public Accounts Standing Committee of Tynwald Court ("the Committee") convened on 24 June 2015 to consider the issuing of supplier contracts which involved the removal of silt from Peel Harbour. Whilst the Committee has not concluded its findings as at the date of this report, we note the following:

- no FD8 waiver was signed by the responsible Accounting Officer, as would be required by FD8 paragraph 14 for an expected contract value of more than £50,000;
- no legal advice was sought from HM Attorney General's Chambers for the preparation of tender and contract documentation, as required by FD8 paragraph 13
- the framework agreement was not applied in a manner consistent with FD8 paragraph 10
- full due diligence was not carried out on the potential suppliers, as is required by FD8 paragraph 16.



KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN
23 September 2015

6 Statement of Accounts

6.1 Income and Expenditure Account – Summary

A	2014-15					Revised As Adjusted G £000's
	Original Net Expenditure B £000's	Adjustments			Consolidation F £000's	
		Fixed Assets C £000's	Pensions D £000's	Other E £000's		
Treasury Department						
Customs and Excise	319,700	-	-	2,227	-	321,927
Income Tax	203,045	-	-	(1,270)	-	201,775
Other Treasury Income	11,601	-	-	(1,962)	-	9,639
Treasury Reserves Income	-	-	-	54,905	-	54,905
Treasury Gross Expenditure	(102,287)	515	(2,963)	(1,077)	5,389	(100,423)
Total Treasury	432,059	515	(2,963)	52,823	5,389	487,823
Other Departments						
Economic Development	(2,992)	(1,158)	(1,872)	-	-	(6,022)
Education & Children	(89,634)	(13,128)	(16,629)	-	-	(119,391)
Environment, Food & Agriculture	(13,413)	(2,753)	(1,259)	-	-	(17,425)
Health & Social Care	(184,387)	(10,416)	(23,385)	-	-	(218,188)
Home Affairs	(28,343)	1,025	(6,071)	-	-	(33,389)
Infrastructure	(47,071)	(62,902)	(7,650)	3,404	-	(114,219)
	(365,840)	(89,332)	(56,866)	3,404	-	(508,634)
Other bodies						
Cabinet Office	(25,720)	2,971	(2,850)	-	-	(25,599)
Executive Government	(39,745)	11	89,566	-	-	49,832
Manx National Heritage	(3,765)	86	(621)	-	-	(4,300)
Road Transport Licensing Committee	(79)	-	(17)	-	-	(96)
Statutory Boards (Revenue Funded)	1,530	57	(1,455)	-	-	132
	(67,779)	3,125	84,623	-	-	19,969
Expenses of the Legislature	(4,705)	320	(794)	-	-	(5,179)
	(4,705)	320	(794)	-	-	(5,179)
Net Voted Income/(Expenditure)	(6,265)	(85,372)	24,000	56,227	5,389	(6,021)
Statutory Boards (Non-Revenue Funded)						
Isle of Man Post Office	-	-	-	-	383	383
Manx Utilities Authority	-	-	-	-	13,962	13,962
	-	-	-	-	14,345	14,345
Owned Companies						
Laxey Glen Mills Limited	-	-	-	-	(9)	(9)
Radio Manx Limited	-	-	-	-	(840)	(840)
	-	-	-	-	(849)	(849)
Interest payable and similar charges	-	-	(100,000)	-	(18,385)	(118,385)
Interest and investment income	-	-	-	-	867	867
Total	(6,265)	(85,372)	(76,000)	56,227	1,367	(110,043)
Statement of Total Movement in General Revenue Account Balance						
Depreciation and impairment of fixed assets	-	95,489	-	-	-	95,489
Net (gain) or loss on disposal of fixed assets	-	(55)	-	-	-	(55)
Net charges made for retirement benefits in accordance with FRS17	-	-	76,000	-	-	76,000
Other adjustments	-	-	-	(2,470)	-	(2,470)
Loan Charges for Capital Financing	-	36,357	-	-	-	36,357
Net Capital Expenditure charge in-year to the General Revenue Adjustment Account	-	(46,419)	-	-	-	(46,419)
Net transfer to earmarked reserves	-	-	-	(43,256)	(1,367)	(44,623)
Increase/(Decrease) in General Revenue Account	(6,265)	-	-	10,501	-	4,236

All results derive from continuing activities. The Notes on pages 24 to 56 form part of these Accounts.

Notes:

- i. Column B shows the amounts originally reported on page 15 of the Detailed Government Accounts (GD 2015/0028) in July 2015, showing 'Surplus transferred to Net General Revenue Account' of a deficit of £6.27 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 United Kingdom Accounting Standards. 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 19.
- 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 21 of the audited Government Accounts, to result in the 'Increase/(decrease) in General Revenue Account balance', the resultant surplus for the year of £4.2 million.

6.2 Income and Expenditure Account – Group

		Group			
		2014-15		2013-14	
Note	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Net Expenditure £000's	
Treasury Department					
Customs and Excise	7.2.1	-	321,927	321,927	311,360
Income Tax	7.2.2	-	201,775	201,775	195,263
Other Treasury Income	7.2.3	-	9,639	9,639	11,283
Treasury Reserves Income	7.2.4	-	54,905	54,905	75,236
Treasury Gross Expenditure	7.3.2	(299,853)	199,430	(100,423)	(96,010)
Total Treasury		(299,853)	787,676	487,823	497,132
Other Departments					
Economic Development	7.3.2	(32,266)	26,244	(6,022)	(7,867)
Education & Children	7.3.2	(123,411)	4,020	(119,391)	(128,586)
Environment, Food & Agriculture	7.3.2	(19,414)	1,989	(17,425)	(18,518)
Health & Social Care	7.3.2	(274,623)	56,435	(218,188)	(228,538)
Home Affairs	7.3.2	(34,442)	1,053	(33,389)	(38,564)
Infrastructure	7.3.2	(169,179)	54,960	(114,219)	(105,369)
		(653,335)	144,701	(508,634)	(527,442)
Other bodies					
Cabinet Office	7.3.2	(29,384)	3,785	(25,599)	(13,864)
Executive Government	7.3.2	7,289	42,543	49,832	41,172
Manx National Heritage	7.3.2	(5,121)	821	(4,300)	(4,342)
Road Transport Licensing Committee	7.3.2	(145)	49	(96)	(94)
Statutory Boards (Revenue Funded)	7.3.2	(8,317)	8,449	132	404
		(35,678)	55,647	19,969	23,276
Expenses of the Legislature	7.3.2	(5,239)	60	(5,179)	(4,916)
		(5,239)	60	(5,179)	(4,916)
Net Voted Income		(994,105)	988,084	(6,021)	(11,950)
Statutory Boards (Non-Revenue Funded)					
Isle of Man Post Office		-	383	383	1,242
Manx Utilities Authority		-	13,962	13,962	4,231
		-	14,345	14,345	5,473
Owned Companies					
Isle of Man Film Limited		(45)	45	-	-
Isle of Man Limited		-	-	-	-
Isle of Man National Transport Limited		-	-	-	-
Laxey Glen Mills Limited		(9)	-	(9)	(8)
Radio Manx Limited		(840)	-	(840)	(859)
		(894)	45	(849)	(867)
Surplus before Interest		(994,999)	1,002,474	7,475	(7,344)
Interest payable and similar charges		(118,385)	-	(118,385)	(117,368)
Interest and investment income		-	867	867	2,643
(Deficit) for the year	7.3.1	(1,113,384)	1,003,341	(110,043)	(122,069)

All results derive from continuing activities. The Notes on pages 24 to 56 form part of these Accounts.

6.3 Income and Expenditure Account – Central Government

Central Government					
2014-15					
2013-14					
	<i>Note</i>	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Net Expenditure £000's
Treasury Department					
Customs and Excise	7.2.1	-	321,927	321,927	311,360
Income Tax	7.2.2	-	201,775	201,775	195,263
Other Treasury Income	7.2.3	-	11,639	11,639	13,283
Treasury Reserves Income	7.2.4	-	54,905	54,905	75,236
Treasury Gross Expenditure	7.3.2	(305,242)	199,430	(105,812)	(104,224)
Total Treasury		(305,242)	789,676	484,434	490,918
Other Departments					
Economic Development	7.3.2	(32,266)	26,244	(6,022)	(7,867)
Education & Children	7.3.2	(123,411)	4,020	(119,391)	(128,586)
Environment, Food & Agriculture	7.3.2	(19,414)	1,989	(17,425)	(18,518)
Health & Social Care	7.3.2	(274,623)	56,435	(218,188)	(228,538)
Home Affairs	7.3.2	(34,442)	1,053	(33,389)	(38,564)
Infrastructure	7.3.2	(169,179)	54,960	(114,219)	(105,369)
		(653,335)	144,701	(508,634)	(527,442)
Other bodies					
Cabinet Office	7.3.2	(29,384)	3,785	(25,599)	(13,864)
Executive Government	7.3.2	7,289	42,543	49,832	41,172
Manx National Heritage	7.3.2	(5,121)	821	(4,300)	(4,342)
Road Transport Licensing Committee	7.3.2	(145)	49	(96)	(94)
Statutory Boards (Revenue Funded)	7.3.2	(8,317)	8,449	132	404
		(35,678)	55,647	19,969	23,276
Expenses of the Legislature	7.3.2	(5,239)	60	(5,179)	(4,916)
		(5,239)	60	(5,179)	(4,916)
Net Voted Income		(999,494)	990,084	(9,410)	(18,164)
Surplus before Interest		(999,494)	990,084	(9,410)	(18,164)
Interest payable and similar charges		(101,972)	-	(101,972)	(99,055)
Interest and investment income		-	-	-	-
(Deficit) for the year	7.3.1	(1,101,466)	990,084	(111,382)	(117,219)

All results derive from continuing activities. The Notes on pages 24 to 56 form part of these Accounts.

6.4 Statement of Total Movement on the General Revenue Account Balance

		Group		Central Government	
	Note	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
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					
Depreciation and amortisation of fixed assets		95,489	103,953	95,489	103,953
Net gain on disposal of fixed assets		(55)	(2,991)	(55)	(2,991)
Net charges made for retirement benefits in accordance with FRS17	7.20	76,000	90,000	76,000	90,000
Other adjustments		(2,470)	(942)	(2,470)	(942)
		168,964	190,020	168,964	190,020
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					
Loan Charges for Capital Financing		36,357	43,855	36,357	43,855
Net Capital Expenditure charge in-year to the General Revenue Adjustment Account		(46,419)	(59,390)	(46,419)	(59,390)
		(10,062)	(15,535)	(10,062)	(15,535)
Transfers that are required to be taken into account when determining the movement on the General Revenue Account balance for the year					
Net transfer to earmarked reserves		(44,623)	(45,666)	(43,284)	(50,516)
		(44,623)	(45,666)	(43,284)	(50,516)
Net additional amount required to be credited to the General Revenue Account balance					
		114,279	128,819	115,618	123,969
Deficit for the year on the Income and Expenditure Account					
	6.2,6.3	(110,043)	(122,069)	(111,382)	(117,219)
Increase in General Revenue Account balance for the year					
		4,236	6,750	4,236	6,750
General Revenue Account balance brought forward	7.19.1	41,281	34,531	41,281	34,531
General Revenue Account balance carried forward					
	7.19.1	45,517	41,281	45,517	41,281

The Notes on pages 24 to 56 form part of these Accounts.

6.5 Statement of Total Recognised Gains and Losses

		Group		Central Government	
	Note	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Increase in General Revenue Account balance for the year	6.4	4,236	6,750	4,236	6,750
Unrealised gain on long term investments	7.9.3	58,086	(11,207)	58,086	(11,207)
Surplus on revaluation of fixed assets	7.7.4	93,393	(18,849)	93,026	(18,849)
Actuarial losses on pension fund assets and liabilities	7.20.8	(577,371)	77,727	(581,000)	81,000
Total recognised gains/(losses) for the year		(421,656)	54,421	(425,652)	57,694

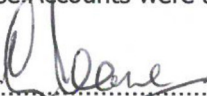
The Notes on pages 24 to 56 form part of these Accounts.

6.6 Balance Sheet

		Group		Central Government	
	Note	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Long Term Assets					
Fixed Assets	7.7	2,781,992	2,778,380	2,274,440	2,263,165
Long Term Investments	7.9	1,205,737	1,156,107	1,205,737	1,156,107
Long Term Debtors	7.11	23,098	19,492	543,681	536,157
		4,010,827	3,953,979	4,023,858	3,955,429
Current Assets					
Stocks and Work in Progress	7.12	10,996	10,804	4,303	4,085
Debtors and Prepayments	7.13	72,678	139,884	70,830	139,563
Short Term Deposits	7.14	272,436	230,488	237,974	198,034
Cash at Bank and in Hand	7.15	293,161	289,420	246,366	243,231
		649,271	670,596	559,473	584,913
Current Liabilities					
Creditors	7.16.1	(57,978)	(79,447)	(41,742)	(61,725)
Loans Payable	7.17	(130)	-	-	-
Bank Overdrafts and Loans Payable	7.15	(20,877)	(8,394)	(20,801)	(8,297)
		(78,985)	(87,841)	(62,543)	(70,022)
Net Current Assets		570,286	582,755	496,930	514,891
Long Term Liabilities					
Loans Payable	7.17	(262,775)	(263,035)	(260,000)	(260,000)
Pension Scheme Liability	7.20.3	(3,014,245)	(2,319,941)	(3,009,000)	(2,318,000)
Other Creditors	7.16.2	(74,374)	(83,039)	(30,781)	(32,301)
		(3,351,394)	(2,666,015)	(3,299,781)	(2,610,301)
Total Net Assets		1,229,719	1,870,719	1,221,007	1,860,019
Represented by					
Net General Revenue Account	7.19.1	45,517	41,281	45,517	41,281
General Revenue Adjustments Account	7.19.2	(395,053)	286,630	(396,974)	284,709
Hospital Estates Development Fund	7.9.3	43,451	44,339	43,451	44,339
Manx Currency Account	7.9.3	80,629	76,366	80,629	76,366
Media Development Fund	7.9.3	34,096	34,466	34,096	34,466
National Insurance Fund	7.9.3(ii)	774,519	727,207	774,519	727,207
Public Service Employees Pension Reserve	7.9.3	226,423	237,316	226,423	237,316
Reserve Fund	7.9.3	342,068	334,481	342,068	334,481
Internal Funds and Reserves	7.19.5	78,069	88,633	71,278	79,854
		1,229,719	1,870,719	1,221,007	1,860,019

The Notes on pages 24 to 56 form part of these Accounts.

These Accounts were approved by the Treasury on 23 September 2015 and signed on its behalf by:


.....

Hon. W E Teare ACIB, MHK, Minister for the Treasury


.....

S Lowe, Chief Financial Officer

6.7 Cash Flow Statement

		Group		Central Government	
	Note	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Net Cash Inflow / (Outflow) from Operating Activities	7.24	23,105	(145,603)	(8,876)	(182,804)
Returns on investments and servicing of finance					
Interest received		1,581	1,980	14,284	14,187
Interest paid		(17,372)	(18,339)	(14,163)	(14,163)
Investment income		55,577	80,759	55,577	80,759
		39,786	64,400	55,698	80,783
Capital expenditure					
Payments to acquire tangible fixed assets		(46,084)	(52,978)	(31,892)	(32,503)
Repayments		(3,343)	(15,273)	(3,503)	(15,473)
Income from disposal of tangible fixed assets		10,715	11,527	10,620	11,431
Deferred income received - customers' contributions		747	721	-	-
		(37,965)	(56,003)	(24,775)	(36,545)
Management of liquid resources					
Net purchases of investments	7.9.1	8,524	72,965	8,524	72,965
		8,524	72,965	8,524	72,965
Financing					
Repayment of loan		(7,978)	(74,550)	-	(35,000)
New loan finance arranged		10,684	38,635	-	-
Repayment of lease finance		(3,389)	(3,289)	-	-
		(683)	(39,204)	-	(35,000)
Increase / (Decrease) in cash	7.25	32,767	(103,445)	30,571	(100,601)

The Notes on pages 24 to 56 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 under the historical cost convention and in accordance with United Kingdom Accounting Standards, unless otherwise stated.

The Accounts have been drawn up in accordance with the Isle of Man Statement of Recommended Practice 2007, *Accounting for entities subject to the Audit Act 2006*, issued by Treasury. This SORP is recognised under the Audit Act 2006 and the Accounts and Audit Regulations 2013 as representing proper accounting practices.

7.1.2 Restatement

There have been no significant changes to the accounting policies for 2014-15. Further details of the amendments and presentational changes have been included in Note 7.28.

7.1.3 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.

Depreciation

Depreciation is provided on all assets with a finite useful life, other than freehold land. 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:

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

Assets during the course of construction are not depreciated until commissioned.

Revaluation

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 General Revenue Adjustments Account. 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, on a five year cycle such that each department's fixed assets are revalued every five years.

Depreciation is calculated from the date of valuation based on the remaining useful economic life of the asset.

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.

Disposals

Income from the disposal of fixed assets is accounted for on an accruals basis. 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.

7.1.4 Intangible Fixed Assets

Recognition

Expenditure on 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-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 intangible fixed assets that does not materially add to the value of those assets is written off to the Income and Expenditure Account.

Amortisation

Amortisation is provided on all assets with a finite useful life. Where amortisation is provided for, assets are amortised by applying the straight line method to Balance Sheet values over periods reflecting their estimated useful lives.

The following estimated useful lives are applied:

	Years
Software	3 years
Licences	3 years, or period of licence

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.

7.1.5 Leases

Finance 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.

Assets acquired under finance leases are capitalised and included in the Balance Sheet except for leases that are in secondary rental periods, where there are no future obligations of material significance. Assets acquired under finance leases are depreciated over the lease period if this is shorter than their estimated useful life.

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.

7.1.6 Investments

Long term investments held comprise assets managed by external investment managers in respect of specific Government reserve funds and are stated at market value. The market values of listed investments comprise mid-market prices; the market value of unlisted investments is determined by Treasury's investment managers.

Investment interest is recognised on a time proportion basis in the year that it is earned. Unrealised gains and losses on investments are applied to the specific reserves the assets relate to and are not included within the Income and Expenditure Account.

Investments in companies (registered either in the Isle of Man or in the United Kingdom) are held at the lower of cost and net realisable value.

7.1.7 Accruals of Income and Expenditure

The Accounts of Government are maintained on an accruals basis; activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- 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;
- Employee costs are charged as expenditure when they are due rather than paid;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks in the Balance Sheet.
- Capital works are charged as expenditure or capitalised as tangible fixed assets, as appropriate, when they are completed, before which they are carried as works in progress in the Balance Sheet.
- Interest receivable is accounted for in the year to which it relates, on a basis that reflects the overall effect on the investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the Income and Expenditure Account for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant account, unless they properly represent capital receipts or capital expenditure. These accruals are largely based on known commitments and can be assessed accurately. Where estimates are made, they are based on historical records, precedence and officers' knowledge and experience. In all cases the Government adopts a prudent approach to avoid overstating its resources.

Income and expenditure amounts for a year are credited or charged to the Income and Expenditure Account. The surplus of income over expenditure for a year, or deficit where expenditure exceeds income, where income and expenditure is calculated using the same basis as used by the Government Budget is credited or charged to Net General Revenue Account. Net income and expenditure adjustments arising from the requirements of United Kingdom Accounting Standards are credited or charged to the General Revenue Adjustment Account.

7.1.8 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.

7.1.9 Stock and Work in Progress

Stocks and work in progress have been valued at the lower of cost and net realisable value.

7.1.10 Cash and Liquid Resources

Cash balances comprise balances in Government bank accounts, short term deposits and cash instruments, whether held directly by Treasury or by external investment managers.

Liquid resources include investments held by external investment managers and include equities, fixed interest securities and other traded financial instruments. These assets are generally held for long term investment purposes.

7.1.11 Foreign currency Translation

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. Where a transaction is to be settled at a contracted rate, the contract rate is used. 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.

7.1.12 Pension Costs

Government operates a number of defined benefit schemes. In accordance with Financial Reporting Standard 17, "Retirement Benefits", the full service cost for the year, adjusted for any changes to the scheme, is charged to the Income and Expenditure Account. A charge equal to the expected increase in the present value of the scheme liabilities as a result of the scheme liabilities being one year closer to settlement and a credit reflecting the long term expected return on assets based on the market value of the scheme assets at the beginning of the year, are included in the Income and Expenditure Account.

The Balance Sheet records, as an asset or liability (as appropriate), the difference between the market value of the scheme assets and the present value of the accrued scheme liabilities. The difference between the expected return on assets and that actually achieved in the period is recognised in the Statement of Total Recognised Gains and Losses along with any actuarial gains or losses.

Actuarial valuations of the Central Government pension schemes have been obtained for the years ended 31 March 2014 and 31 March 2015 in order to provide an estimate of scheme liabilities for the Balance Sheet. Income and expenditure for 2013-14 and 2014-15 has been calculated based on these scheme valuations.

7.1.13 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.

7.1.14 Provisions

The Government maintains provisions for bad and doubtful debts, which are held against its arrears of major income sources.

7.1.15 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. Material adjustments arising from changes in accounting policies or fundamental errors are accounted for by restating preceding year comparative figures and opening balances on reserves. Appropriate disclosures are made where relevant.

7.1.16 Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the Accounts. Material contingent assets are disclosed in notes to the Accounts if the inflow of a receipt or economic benefit is probable. Material contingent liabilities are disclosed in Notes if there is a possible obligation which may require a payment or a transfer of economic benefits. The nature and estimated financial effect of each item are disclosed.

No provision for threatened or pending legal actions outstanding against the Isle of Man Government is made in these Accounts as the likelihood of these actions giving rise to material liabilities is considered remote.

7.1.17 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 Vote is approved.

7.1.18 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. This comprises all Government Departments, the revenue funded Statutory Boards (being the Office of Fair Trading, the Financial Supervision Commission, the Gambling Supervision Commission, the Insurance and Pensions Authority and the Communications Commission), Offices of Government and the Legislature, the Road Transport Licensing Committee and Manx National Heritage.

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.

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. The Accounts for the Isle of Man Post Office are completed each year on the basis of working weeks. No adjustment is made to the transactions and balances for Isle of Man Post Office on the basis the difference in year end is only a few days and the impact of the different dates used is not material.

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 Analysis of Treasury Income

Treasury income comprises four main areas – income from Customs and Excise duties, income from Income Tax, Other Treasury Income and Treasury Reserves Income. Further details of this income are set out below:

7.2.1 Customs and Excise

	Group		Central Government	
	2014-15 £'000s	2013-14 £'000s	2014-15 £'000s	2013-14 £'000s
Duties In Common With The United Kingdom				
Beer	757	626	757	626
Spirits	12	11	12	11
Wine	50	40	50	40
Tobacco	465	442	465	442
Hydrocarbon Oils	29,970	30,266	29,970	30,266
Biofuels	-	-	-	-
Misc. Road Fuels	4	5	4	5
	31,258	31,390	31,258	31,390
Consumer Taxes				
Value Added Tax	(113,308)	364,686	(113,308)	364,686
Customs Duties	2	-	2	-
	(113,306)	364,686	(113,306)	364,686
Isle Of Man Duties				
Betting Duty	658	626	658	626
On Line Gambling	4,584	4,164	4,584	4,164
Air Passenger Duties	4,432	4,491	4,432	4,491
	9,674	9,281	9,674	9,281
Customs Receipts From United Kingdom				
Customs Receipts From United Kingdom	452,863	(224,501)	452,863	(224,501)
Provision For Repayment Back To UK HMRC	(59,107)	129,970	(59,107)	129,970
	393,756	(94,531)	393,756	(94,531)
Other Receipts				
Other Receipts	545	534	545	534
	545	534	545	534
Total	321,927	311,360	321,927	311,360

Notes:

- Income reported in the Detailed Government Accounts (GD 2015/28) was £319.7 million (2013-14: £312.0 million). The differences between these figures and those above arise from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Customs income.

7.2.2 Income Tax

	Group		Central Government	
	2014-15	2013-14	2014-15	2013-14
	£'000s	£'000s	£'000s	£'000s
Resident Tax	51,048	54,242	51,048	54,242
Company Tax	18,713	17,199	18,713	17,199
Non Resident Tax	6,431	2,902	6,431	2,902
ITIP	122,816	118,077	122,816	118,077
Sub-Contractors	2,735	2,739	2,735	2,739
EU Savings Directive	17	106	17	106
Other	15	(2)	15	(2)
Total	201,775	195,263	201,775	195,263

Notes:

- Income reported in the Detailed Government Accounts (GD 2015/28) was £203.0 million (2013-14: £196.1 million). The differences between these figures and those above arise from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Income Tax income.

7.2.3 Other Treasury Income

	Group		Central Government	
	2014-15	2013-14	2014-15	2013-14
	£'000s	£'000s	£'000s	£'000s
Philatelic Profits Contribution	-	-	2,000	2,000
Fines and Fixed Penalties	913	603	913	603
Interest on Investments	7,167	10,070	7,167	10,070
Miscellaneous income	1,559	610	1,559	610
Total	9,639	11,283	11,639	13,283

Notes:

- Central Government income reported in the Detailed Government Accounts (GD 2015/028) was £11.6 million (2013-14: £13.3 million). The differences between these figures and those above arise from accounting for the contribution from the Isle of Man Post Office on an accruals basis (whereas in the Detailed Government Accounts this is recorded on a cash basis). Interest on Investments for 2013-14 was reduced by a 1.4% provision against the KSFIOML general revenue cash deposit of £2.7 million (as described in Note 7.14). In 2014-15 there was no adjustment due to the liquidator making distributions totalling 100p/£.

7.2.4 Treasury Reserves Income

	Group		Central Government	
	2014-15 £'000s	2013-14 £'000s	2014-15 £'000s	2013-14 £'000s
Investment Income	29,786	32,315	29,786	32,315
Net Profit on Sale of Investments	19,533	38,010	19,533	38,010
Sales of Properties	4,290	3,691	4,290	3,691
Other Receipts	1,296	1,220	1,296	1,220
Total	54,905	75,236	54,905	75,236

Notes:

- i. 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.
- ii. The impairment charge in respect of amounts advanced to the Depositors' Compensation Scheme for Kaupthing Singer & Friedlander (Isle of Man) Limited has been applied against Treasury Reserves Income (see Note 7.13.1).

7.3 Deficit for the Year

7.3.1 Deficit for the Year

The deficit for the year is arrived at after charging:

	Note	Group		Central Government	
		2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Auditors' remuneration	7.6	138	156	95	96
Depreciation	7.7.1	117,056	125,123	95,240	103,862
Amortisation	7.7.3	249	91	249	91
Pension costs	7.20.6	168,620	167,917	168,000	167,000
Gain on disposal of fixed assets	7.7.1	209	2,991	55	2,991
Rentals payable under leases		7,970	10,430	4,484	6,509

Notes:

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

7.3.2 Department Expenditure

An analysis of Department Expenditure is included at Section 8. The analysis has been extracted from the Detailed Government Accounts (GD 2015/0028). The following adjustments have been applied to reflect different basis of preparation:

	Group		Central Government	
	2014-15 £'000s	2013-14 £'000s	2014-15 £'000s	2013-14 £'000s
Total Revenue Expenditure, per Section 8	(540,611)	(538,230)	(540,611)	(538,230)
<u>UK Accounting Standards Adjustments</u>				
Fixed Assets Adjustments	(85,372)	(85,203)	(85,372)	(85,203)
Pension Adjustments	24,000	7,000	24,000	7,000
Other	2,327	3,127	2,327	3,127
<u>Consolidation Adjustments</u>				
Treasury/DOI - Grant to MUA (former IOMWSA)	4,539	7,364	-	-
Treasury - Manx Radio Subvention	850	850	-	-
Net Voted Expenditure	(594,267)	(605,092)	(599,656)	(613,306)
Treasury Income	7.2 588,246	593,142	590,246	595,142
Net Voted Income	(6,021)	(11,950)	(9,410)	(18,164)

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 Social Care and the movement on the value of the strategic oil reserve (which is excluded from the Detailed Government Accounts).

7.4 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:

Remuneration Band	Group		Central Government	
	2014-15	2013-14	2014-15	2013-14
£325,000 to £349,999	-	1	-	1
£300,000 to £324,999	1	-	1	-
£275,000 to £299,999	1	-	1	-
£250,000 to £274,999	2	2	2	2
£225,000 to £249,999	4	3	4	3
£200,000 to £224,999	14	11	14	11
£175,000 to £199,999	22	19	22	19
£150,000 to £174,999	18	23	18	23
£125,000 to £149,999	26	26	25	25
£100,000 to £124,999	42	37	40	35
£75,000 to £99,999	128	113	120	105
£50,000 to £74,999	637	675	577	610

Notes:

- 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).
- 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.

7.5 Financial Commitments

7.5.1 Operating Leases

	Group		Central Government	
	2014-15 £'000s	2013-14 £'000s	2014-15 £'000s	2013-14 £'000s
<1 year	188	241	88	140
2 to 5 years	1,384	1,361	1,273	1,121
After 5 years	877	1,019	877	1,019
Total	2,449	2,621	2,238	2,280

Note – figures for 2013-14 have been restated on a UK GAAP basis. Additionally, the Finance Lease for the Energy From Waste Plant has been removed.

7.5.2 Other Financial Commitments

The charges paid by the Manx Utilities Authority in respect of the Gas Interconnector and the Spur Pipeline are invoiced in Euros. During the year the Authority entered into forward contracts to purchase Euros in order to partially hedge this foreign currency exchange exposure. At 31 March 2015 the 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 2015 was 39.4m Euros which equates to a maximum commitment of £30.1m.

During the year the Authority entered into a number of contracts to purchase gas at a pre-determined price for delivery between April 2015 and March 2018, in order to hedge against gas price volatility. At 31 March 2015 the amount of these commitments was £37.9 million (2014: £33.9 million).

7.6 External Audit Fees

	Group		Central Government	
	2014-15 £'000s	2013-14 £'000s	2014-15 £'000s	2013-14 £'000s
Fees payable with regard to external audit services carried out by the appointed auditors	138	153	95	93
Fees payable with regard to other services carried out by the appointed auditors	204	294	204	294
	342	447	299	387

Note: The 2013/14 amount for fees payable with regard to Central Government external audit services has been restated to reflect the fee payable in respect of that year (rather than the fee actually paid in the year).

Following a tender process, the External Auditor (KPMG Audit LLC) for Central Government was appointed for a 3-year term commencing 1 April 2010, 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 Supervision Commission. 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.

7.7 Fixed Assets

	Note	Group		Central Government	
		2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Tangible Fixed Assets	7.7.1	2,781,335	2,778,324	2,273,783	2,263,109
Intangible Fixed Assets	7.7.2	657	56	657	56
Total		2,781,992	2,778,380	2,274,440	2,263,165

7.7.1 Tangible Fixed Assets – Group

	Group			
	Freehold Land & Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infra- structure assets £'000s	Total £'000s
Cost or Valuation				
As at 1 April 2014	1,311,923	426,342	1,844,300	3,582,565
Additions	9,498	14,500	8,129	32,127
Revaluations	41,525	-	-	41,525
Disposals	(7,770)	(2,429)	-	(10,199)
As at 31 March 2015	1,355,176	438,413	1,852,429	3,646,018
Accumulated Depreciation				
As at 1 April 2014	224,617	234,148	345,476	804,241
Charge for year	39,214	23,645	54,197	117,056
Revaluations	(51,936)	-	-	(51,936)
Disposals	(2,770)	(1,908)	-	(4,678)
As at 31 March 2015	209,125	255,885	399,673	864,683
Net Book Value				
As at 31 March 2015	1,146,051	182,528	1,452,756	2,781,335
As at 1 April 2014	1,087,306	192,194	1,498,824	2,778,324

Included within tangible fixed assets at 31 March 2015 is freehold land amounting to £59.0 million (2013-14: £55.5 million) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £67.7 million (2013-14: £70.5 million). Depreciation of £2.8 million (2013-14: £3.3 million) was charged in the year on these assets.

7.7.2 Tangible Fixed Assets – Central Government

Central Government				
	Freehold Land & Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infra- structure assets £'000s	Total £'000s
Cost or Valuation				
As at 1 April 2014	1,244,386	172,445	1,387,570	2,804,401
Additions	7,611	10,323	-	17,934
Revaluations	41,625	-	-	41,625
Disposals	(7,770)	(690)	-	(8,460)
As at 31 March 2015	1,285,852	182,078	1,387,570	2,855,500
Accumulated Depreciation				
As at 1 April 2014	203,165	113,051	225,076	541,292
Charge for year	37,624	14,110	43,506	95,240
Revaluations	(51,400)	-	-	(51,400)
Disposals	(2,770)	(645)	-	(3,415)
As at 31 March 2015	186,619	126,516	268,582	581,717
Net Book Value				
As at 31 March 2015	1,099,233	55,562	1,118,988	2,273,783
As at 1 April 2014	1,041,221	59,394	1,162,494	2,263,109

Included within tangible fixed assets at 31 March 2015 is freehold land amounting to £53.1 million (2013: £53.1 million) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £19.9 million (2013: £21.7 million). Depreciation of £1.8 million (2013-14: £2.3 million) was charged in the year on these assets.

As at 31 March 2015, tangible fixed assets with a net book value of £835.4 million (2014: £250.8 million) had been revalued.

7.7.3 Intangible Fixed Assets

	Group	Central Government
	Intangible Assets £'000s	Intangible Assets £'000s
Cost or Valuation		
As at 1 April 2014	316	316
Additions	850	850
As at 31 March 2015	1,166	1,166
Accumulated Amortisation		
As at 1 April 2014	260	260
Charge for year	249	249
As at 31 March 2015	509	509
Net Book Value		
As at 31 March 2015	657	657
As at 1 April 2014	56	56

7.7.4 Valuations

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 in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by the Treasury's Valuation Office.

Any surpluses that arise are credited to the General Revenue Adjustment Account. Any impairment in value is charged to the General Revenue Adjustment Account where it reflects the reversal of a previous valuation gain. Where no such gain exists, impairment losses are charged to the Net General Revenue Account.

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

7.8 Capital Commitments

The estimated commitments for capital expenditure that had started, or legal contracts entered into, as at 31 March 2015 was £22.0 million (2014: £14.3 million) for the Group and £11.7 million (2014: £8.6 million) for Central Government. 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 2015-16 (GD 2015/0001).

7.9 Long Term Investments

7.9.1 Investments

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

	Market Value	Book Value	Market Value	Book Value
	31 March 2015	31 March 2015	31 March 2014	31 March 2014
	£'000s	£'000s	£'000s	£'000s
Property	725	408	890	408
Investment in Films	20,707	20,707	15,488	15,488
United Kingdom Fixed Interest	235,275	216,898	275,430	261,490
United Kingdom Equities	373,889	316,817	379,868	329,068
Overseas Fixed Interest	116,740	103,104	109,008	99,500
Overseas Equities	366,683	300,457	299,194	267,915
Other Investments	91,718	84,440	76,229	77,485
Total	1,205,737	1,042,831	1,156,107	1,051,354

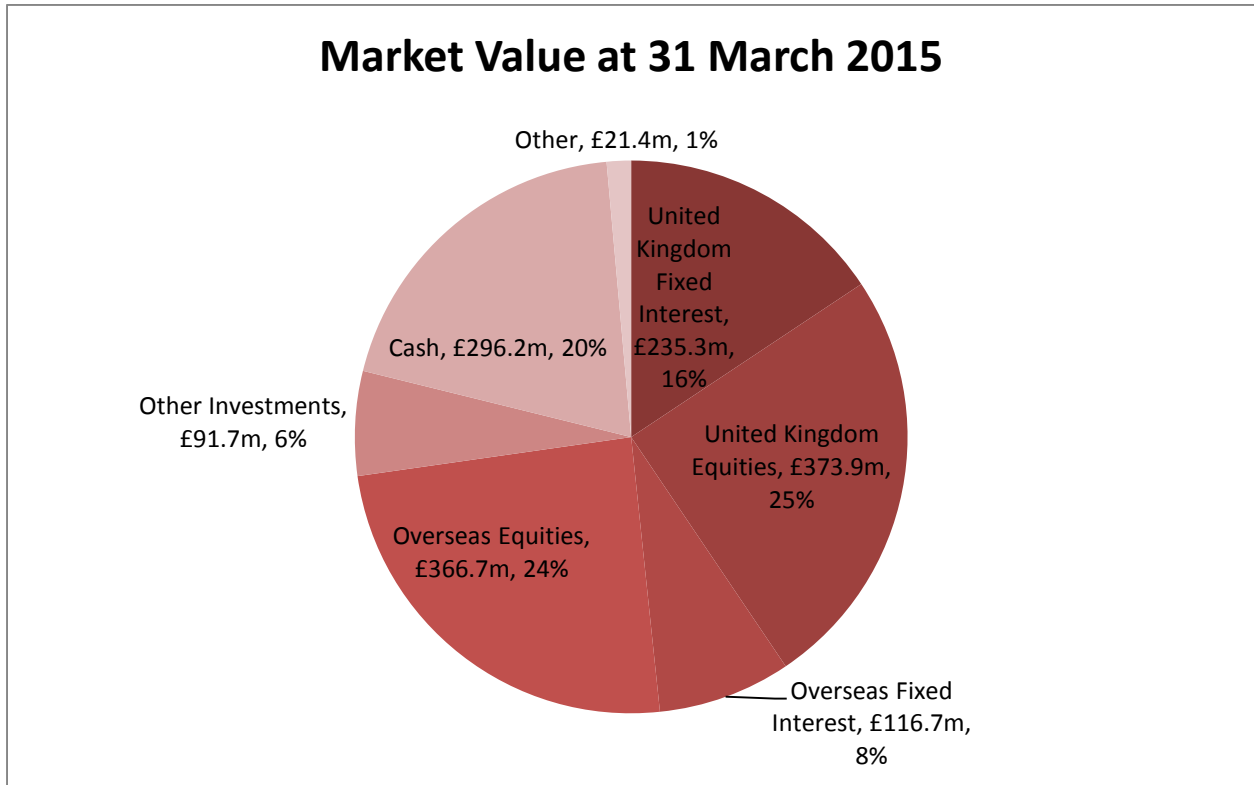
7.9.2 Balances on Externally Managed Funds

The investments relate to six 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:

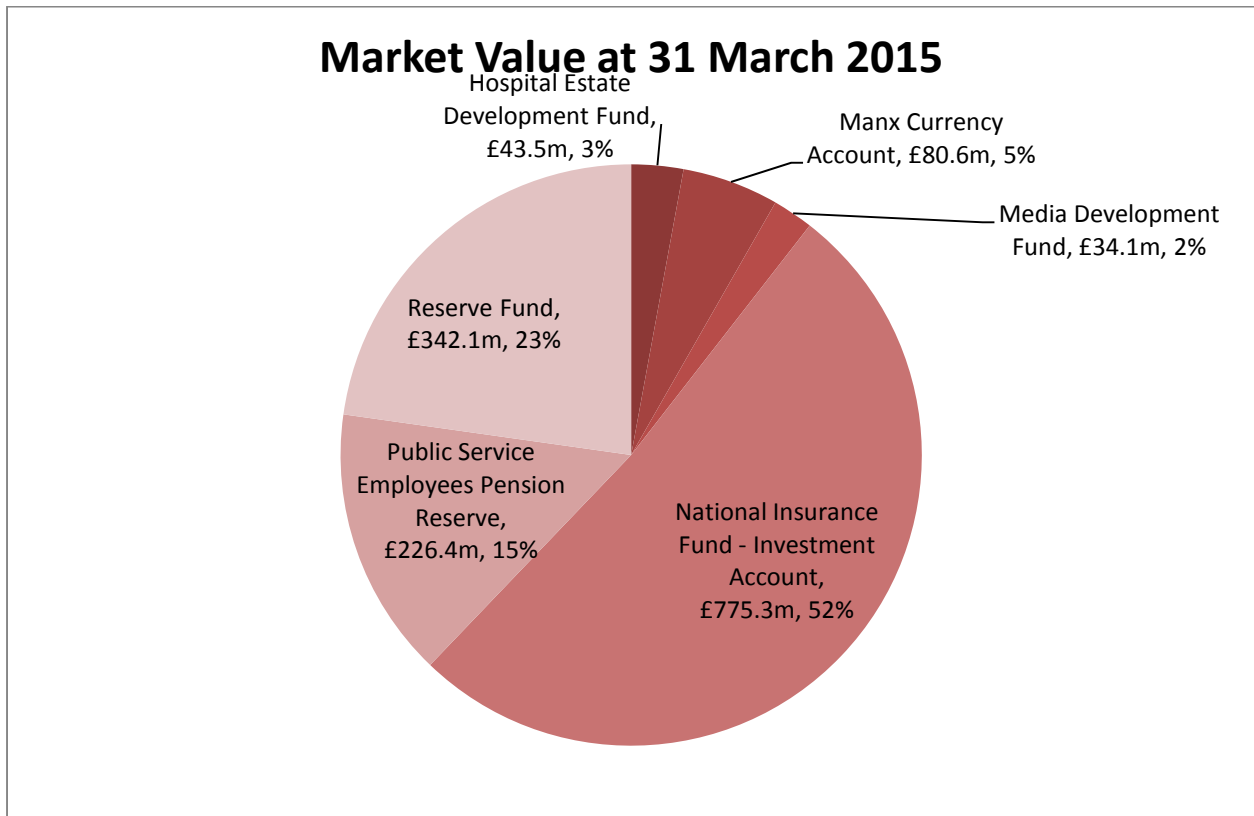
	Market Value	Book Value	Market Value	Book Value
	31 March 2015	31 March 2015	31 March 2014	31 March 2014
	£'000s	£'000s	£'000s	£'000s
Long Term Investments	1,205,737	1,042,831	1,156,107	1,051,354
Cash & Cash Instruments	240,142	235,961	237,710	233,574
Cash funds held by Treasury	56,043	56,041	63,082	63,080
Total	1,501,922	1,334,833	1,456,899	1,348,008

A provision of 0% (2014: 1.4%) is recognised at 31 March 2015 against the £8.0 million of reserve fund deposits due to the liquidator making distributions totalling 100p/£ (see 7.13.1).

The total market value of externally managed reserve fund assets held at 31 March 2015 can be shown by asset type as follows:



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



7.9.3 Movements on Externally Managed Funds

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

Invested Fund	Balances Brought Forward 1 April 2014 £'000s	Income			Unrealised gain/(loss) on Investments £'000s	Expenditure Expenses, Transfers to Internal Accounts £'000s	Balances Carried Forward 31 March 2015 £'000s
		Contributions Seizures & Other £'000s	Investment Income £'000s	Net Profit on Sale of Investments £'000s			
Hospital Estate Development Fund	44,339	-	1,110	241	89	2,328	43,451
Manx Currency Account	76,366	4,078	1,068	181	91	1,155	80,629
Media Development Fund	34,466	2,008	10	-	1	2,389	34,096
National Insurance Fund - Investment Account	729,931	-	14,399	15,409	37,703	22,187	775,255
Public Service Employees Pension Reserve	237,316	-	4,927	7,485	5,318	28,623	226,423
Reserve Fund	334,481	-	8,042	2,886	14,884	18,225	342,068
Total	1,456,899	6,086	29,556	26,202	58,086	74,907	1,501,922

Notes:

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

	Market Value 31 March 2015 £'000s	Book Value 31 March 2015 £'000s	Market Value 31 March 2014 £'000s	Book Value 31 March 2014 £'000s
Hospital Estate Development Fund	43,451	42,427	44,339	43,419
Manx Currency Account	80,629	79,683	76,366	75,513
Media Development Fund	34,096	34,096	34,466	34,466
National Insurance Fund - Investment Account	775,255	682,030	729,931	674,407
Public Service Employees Pension Reserve	226,423	200,931	237,316	217,170
Reserve Fund	342,068	295,666	334,481	303,033
Total	1,501,922	1,334,833	1,456,899	1,348,008

- 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:

	31 March 2015 £'000s	31 March 2014 £'000s
Operating Account	(736)	(2,721)
Investment Account	775,255	729,928
Total	774,519	727,207

- iii. The face value of the Manx Currency in circulation at 31 March 2015 was £76.3 million (2014: £72.3 million). At that date the Currency Account Surplus, being the amount by which the Manx Currency Account (above) exceeds the face value of Manx Currency in circulation, was £3.4 million (2014: £3.2 million).

7.10 Government Owned Companies

7.10.1 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:

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	Film investment	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 all six of the Companies are required to be laid before Tynwald annually. Further details of the companies' activities during the year are set out below:

Isle of Man Film Ltd ("IOMFL")

IOMFL makes 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 and makes investments in a film production on behalf of IOMFL and is a subsidiary of IOMFL.

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.

7.10.2 Group Accounts

In addition to the above, 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:

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%

The Isle of Man Post Office hold shares in the following company, the accounts of which have not been consolidated with the Government's Group Accounts, on the basis that its transactions and balances are not material:

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%

7.11 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:

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Loan Schemes				
Agricultural Holdings Scheme 1978	263	321	263	321
Agricultural Holdings Scheme 2000	612	644	612	644
Agricultural Credits Acts 1924-66	34	40	34	40
Fishing Industry	156	273	156	273
Building By Private Enterprise Schemes 1968/74	1	3	1	3
House Purchase Assistance Schemes	19,670	19,477	19,670	19,477
House Purchase Schemes	64	95	64	95
House Purchase & Refurbishment Scheme 1991	1,011	1,235	1,011	1,235
Royal British Legion Housing Association	338	343	338	343
Sports Club Improvement Scheme	-	1	-	1
Local Authorities	1,893	1,992	1,893	1,992
	24,042	24,424	24,042	24,424
Loans to Statutory Boards				
Manx Utilities Authority	-	-	530,751	527,464
e-Ilan Loan (MUA)	-	-	160	200
	24,042	24,424	554,953	552,088
Total Loans Outstanding				
Due within 12 months	(944)	(4,932)	(11,272)	(15,931)
	23,098	19,492	543,681	536,157

7.12 Stocks and Work in Progress

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Raw Materials and Consumables	7,900	8,327	1,360	1,739
Work in Progress	1,629	1,463	1,629	1,463
Goods for Resale	1,467	1,014	1,314	883
Total	10,996	10,804	4,303	4,085

7.13 Debtors and Prepayments

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Trade Debtors and Prepayments	21,968	23,771	11,567	14,037
Taxation Debtors	27,332	26,375	27,332	26,375
Loan Schemes	944	4,932	11,272	15,931
Other Debtors	22,434	84,806	20,659	83,220
Total	72,678	139,884	70,830	139,563

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 for 2014-15 include an amount of £6.1 million payable by the United Kingdom's HM Revenue & Customs ("HMRC"). As at 31 March 2014 HMRC owed the Isle of Man Government £65.2 million. The difference in the balance arises from a change in the value of local collections in the Isle of Man.

7.13.1 Kaupthing Singer & Friedlander (Isle of Man) Limited

Included within Trade Debtors and Prepayments for both the Group and Central Government is an amount of £1.5 million (2014: £2.8 million) in respect of the Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSFIOML") Early Payment Schemes and Depositors' Compensation Schemes. A provision of £1.1 million (2013-14: £1.1 million) has been applied against this balance to give a net balance of £0.4 million (2014: £1.7 million).

On 9 October 2008 the Isle of Man Court made a Provisional Liquidation Order in relation to KSFIOML. On 27 May 2009 a Winding Up Order was passed by the Isle of Man High Court. The company's affairs are being wound up on the basis it could not repay its debts as they fall due. As at March 2015 the Joint Liquidators of KSFIOML estimated total dividends to ordinary unsecured creditors will be 100.0 pence in the pound (100.0%; estimate at the time of the 2013-14 Accounts were prepared was 98.6%-99.2%).

Where balances within these Accounts are exposed to KSFIOML, provisions have been applied based on an outcome of 100 pence in the pound (0% provision required) (2014: 98.6 pence in the pound, provision of 1.4%).

In May 2009 the Depositors' Compensation Scheme was activated in respect of KSFIOML. The Compensation of Depositors Regulations 2008 were approved by Tynwald in October 2008 and provided for compensation up to a maximum of £50,000 per individual depositor, per deposit taker, and up to £20,000 for certain other depositors, such as companies and trusts. The compensation is funded from distributions from the liquidation of KSFIOML, annual levies charged to other Isle of Man deposit takers and a contribution from the Isle of Man Government, Treasury Department.

In July 2009 Tynwald authorised Treasury to expend a maximum of £193 million during 2009-10 and 2010-11 to provide funding to the Depositors' Compensation Scheme so that compensation could be paid out in full to depositors prior to the scheme receiving liquidation distributions and levies. A transfer from the Reserve Fund not exceeding £193 million was also approved to meet the anticipated expenditure of the scheme.

Previously (in January 2009 and February 2009) Tynwald had approved two Early Payment Schemes and authorised the advancing of certain payments to depositors. The activation of the Depositors' Compensation Scheme effectively replaced the Early Payment Schemes, with amounts advanced by Treasury under the Early Payments Schemes becoming amounts due to Treasury from the Depositors' Compensation Scheme. By 31 March 2015 the total amount advanced by Treasury under all KSFIOML schemes was £214.4 million (2014 : £214.4 million) with £212.9 million (2013-14 : £211.6 million) having been repaid to give an outstanding balance of £1.5 million at 31 March 2015 (2014 : £2.8 million).

The eventual cost to Government under the regulations will be the cost of compensation paid against deposits in excess of £20,000 (up to the maximum of £50,000) less liquidation distributions against these deposits. This cost is currently estimated at £1.1 million (2013-14: £1.1 million) based on an estimated final distribution of 100 pence in the pound and this is currently applied against General Revenue. During 2010-11 an amount of £3.9 million was transferred from the Reserve Fund to General Revenue to meet the cost of the provision with £2.7 million being released back to the Reserve Fund in 2013-14 which was unchanged in 2014-15.

7.14 Short Term Deposits

Short term deposits comprise fixed term cash deposits placed by Treasury and Statutory Boards on wholesale money markets through local banks and deposits in short notice local bank accounts.

Included within these short term deposits (Group and Central Government) are deposits totalling £2.7 million which were placed at Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSFIOML"). KSFIOML is in liquidation, further details of which are given at Note 7.13.1. A provision of £nil (0%; 2014: £0.1 million, 1.4%) has been recognised at 31 March 2015 against the £2.7 million of general revenue deposit placed.

In addition to the £2.7 million deposited, a further £8.0 million was deposited in respect of externally managed reserve funds (see Note 7.9.2).

7.15 Cash

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Cash re: external funds	294,862	299,955	294,862	299,955
Cash re: loans fund	44,410	50,623	44,410	50,623
Other cash balances	(46,111)	(61,158)	(92,906)	(107,347)
Cash at Bank and in Hand	293,161	289,420	246,366	243,231
Bank Overdrafts and Loans Payable	(20,877)	(8,394)	(20,801)	(8,297)
Total	272,284	281,026	225,565	234,934

The above represents cash held in Government bank accounts and cash held by the Government's External Investment Managers (see Note 7.9 Long Term Investments). In addition, Treasury also places short term cash deposits on wholesale money markets (see Note 7.14).

Cash balances in respect of the Consolidated Loans Fund (Capital cash balance) is 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.

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

Account	Limit
Forward Foreign Exchange	£1,545,000
NatWest One Card	£115,000
NatWest Purchasing Card	£2,000,000
BACS	£70,000,000
General Charges Account	£10,000,000

7.16 Creditors and Third Party Funds

7.16.1 Current Liabilities

		Group		Central Government	
	<i>Note</i>	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Trade creditors		17,517	32,411	9,796	23,679
Finance debt	7.18	4,980	4,956	1,520	1,432
Accruals		25,800	30,048	22,132	26,365
Other creditors		9,681	12,032	8,294	10,249
Total		57,978	79,447	41,742	61,725

7.16.2 Long Term Liabilities

		Group		Central Government	
	<i>Note</i>	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Deferred income		12,281	12,022	-	-
Trade creditors		-	288	-	-
Provisions		1,392	1,150	-	-
Finance debt	7.18	60,701	69,579	30,781	32,301
Total		74,374	83,039	30,781	32,301

7.17 Loans Payable

7.17.1 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 (2014: £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:

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

7.17.2 Group Accounts

Loans payable includes £2.9 million (2014: £3.2 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.

7.18 Finance Debt

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Falling due within 1 year	4,980	4,956	1,520	1,432
Falling due after 1 year	60,701	69,579	30,781	32,301
Total	65,681	74,535	32,301	33,733

7.18.1 Central Government

At 31 March 2015 there was one material finance lease in existence in respect of the Energy from Waste ("EfW") Plant in Braddan, which was the subject of a sale and lease back agreement. During the year to 31 March 2015 the annual rental of £3.4 million (2013-14: £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.

7.18.2 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 Electricity 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 fixed assets and is depreciated over 60 years. Operating and maintenance charges also arise under the spur inter-connector Agreement and are charged to the profit and loss account.

The amounts due under this agreement are payable in Euros (€). The future commitment in Euros has been translated at the year-end exchange rate resulting in an unrealised exchange gain of £4.0 million (2014: exchange gain of £1.0 million).

7.19 Movements on Reserves

7.19.1 Net General Revenue Account

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

7.19.2 General Revenue Adjustments Account

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Balance brought forward	286,630	438,923	284,709	437,028
Fixed assets adjustments	9,206	(123,792)	9,206	(123,792)
Pensions adjustments	(691,000)	(27,000)	(691,000)	(27,000)
Other	111	(1,501)	111	(1,527)
Total	(395,053)	286,630	(396,974)	284,709

Adjustments which are required to comply with United Kingdom Accounting Standards and are applied to the Income and Expenditure Account but not included in the Government's budget are applied to the General Revenue Adjustments Account and not the Net General Revenue Account. Further details of the adjustments are given in Note 7.2 and Note 7.3.

7.19.3 External Funds and Reserves

The Government has six 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 7.9.2.

7.19.4 Internal Funds – Central Government

Internal Revenue Fund or Reserve	Balances Brought Forward 1 April 2014 £'000s	Income			Expenditure		Balances Carried Forward 31 March 2015 £'000s
		Contributions Seizures & Other £'000s	Transfers from Departments £'000s	Investment Income £'000s	Transfers to Other Funds £'000s	Other Expenses £'000s	
Agricultural Development Fund	4,313	-	210	15	-	622	3,916
Economic Development Fund	14,082	-	-	114	5,000	(67)	9,263
Government Energy Initiatives Capital Fund	2,298	-	42	8	-	219	2,129
Government Marketing Initiatives Fund	5,113	-	-	18	-	810	4,321
Health Inspection Fund	2,100	-	-	7	-	-	2,107
Housing Reserve Fund	12,138	4,290	2,500	42	-	4,974	13,996
ICT Fund	3,539	2,000	2,230	14	-	1,768	6,015
Insurance Fund	2,460	-	(4)	8	-	2,464	-
Land & Property Acquisition Reserve	2,059	-	458	8	-	-	2,525
Legal Costs Reserve	7,865	-	-	27	-	1,274	6,618
Medical Indemnity Fund	6,722	-	-	23	-	1,384	5,361
Restructuring Fund	8,686	-	300	28	-	4,317	4,697
Seized Assets Fund	2,301	1,296	-	12	-	-	3,609
Town & Village Centre Regeneration Fund	6,178	3,000	-	21	-	2,478	6,721
Total	79,854	10,586	5,736	345	5,000	20,243	71,278

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 4 of the Detailed Government Accounts (GD 2015/0028).

7.19.5 Internal Funds – Group Accounts

	Balances Brought Forward 1 April 2014 £'000s	Income		Expenditure	Balances Carried Forward 31 March 2015 £'000s
		Contributions Seizures & Other £'000s	Realised and Unrealised Income £'000s	Internal Transfers and Other Expenses £'000s	
Treasury funds					
Internally managed funds	79,854	10,586	345	(25,246)	71,278
Other funds					
<u>Isle of Man Post Office</u>					
Fixed Asset Reserve	9,564	-	367	(9,931)	-
Revenue and general reserve	1,000	-	-	(1,000)	-
Development Reserve	7,014	-	-	(7,014)	-
Profit & Loss Reserve	-	-	-	13,563	13,563
<u>Manx Utilities Authority</u>					
Reserves	(9,707)	-	-	2,090	(7,617)
<u>Owned Companies</u>					
Reserves	908	(63)	-	-	845
Total	88,633	10,523	712	(27,538)	78,069

7.20 Pensions**7.20.1 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 Pensions Division of the Office of Human Resources.

Two of these schemes, the Civil Service and Whitely Council schemes, also apply to the Manx Utilities Authority. The transactions and balances in respect of these schemes, including those relating to the Manx Utilities Authority, 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
- *Electricity Board (Officers of Boards) 1960 (closed scheme)*
- *Electricity Board Manual Workers Scheme 1976 (closed scheme)*
- *Judicial Pension Scheme 1992 (closed scheme)*
- Judicial Pension Scheme 2004
- *Manx Electricity Authority Local Government Scheme Optants (closed scheme)*
- *Police Pension Regulations 1991 (closed scheme)*
- Police Pension Regulations 2010
- *Superannuation Manual Workers (No 1) Pension Scheme 1973 (closed scheme)*
- *Superannuation Manual Workers (No 2) Pension Scheme (closed scheme)*
- *Superannuation (Traffic Wardens) Scheme 1989 (closed scheme)*
- Teachers Superannuation Order 2007
- Tynwald Members Pension Schemes 1985 and 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.

7.20.2 Assumptions Used

The financial assumptions used to calculate scheme liabilities under Financial Reporting Standard number 17 issued by the United Kingdom Accounting Standards Board ("FRS 17") are as follows:

	Group		Central Government	
	2014-15	2013-14	2014-15	2013-14
Discount rate	2.87%	4.31%	2.85%	4.30%
Salary increase rate	3.61%	4.16%	3.65%	4.20%
Rate of revaluation in deferment	2.15%	2.25%	n/a	n/a
Pension increase rate	0.47%	2.19%	0.40%	2.20%
Expected return on scheme assets	3.30%	6.00%	n/a	n/a
Price inflation rate - Consumer Price Index (CPI)	1.67%	2.20%	1.65%	2.20%

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 which, due to the timescale covered, may not necessarily be borne out in practice.

7.20.3 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:

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Equities	44,594	41,808	-	-
Property	9,711	8,763	-	-
Bonds	13,211	10,119	-	-
Other	3,824	3,496	-	-
Fair value of scheme assets	71,340	64,186	-	-
Present value of liabilities	(3,085,585)	(2,384,127)	(3,009,000)	(2,318,000)
Net pension liability	(3,014,245)	(2,319,941)	(3,009,000)	(2,318,000)

7.20.4 Changes in Present Value of the Liabilities

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
At beginning of period	2,384,127	2,358,740	2,318,000	2,291,000
Current service cost	69,303	71,601	68,000	70,000
Employee contributions	34,481	18,479	34,000	18,000
Interest cost	102,999	100,221	100,000	97,000
Actuarial (gains)/losses	588,944	(85,430)	581,000	(81,000)
Curtailements	140	-	-	-
Benefits paid	(94,409)	(79,484)	(92,000)	(77,000)
At end of period	3,085,585	2,384,127	3,009,000	2,318,000

7.20.5 Changes in Fair Value of the Scheme Assets

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
At beginning of period	64,186	62,506	-	-
Expected return on assets	3,822	3,905	-	-
Sponsor contributions	945	937	-	-
Employee contributions	481	479	-	-
Actuarial gains/(losses)	4,315	(1,157)	-	-
Benefits paid	(2,409)	(2,484)	-	-
At end of period	71,340	64,186	-	-

7.20.6 Amounts Recognised in the Income and Expenditure Account

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Current service cost	69,303	71,601	68,000	70,000
Interest on scheme liabilities	102,999	100,221	100,000	97,000
Expected return on scheme assets	(3,822)	(3,905)	-	-
Curtailements	140	-	-	-
Total expense	168,620	167,917	168,000	167,000
Actual return on scheme assets	8,137	2,747	-	-

7.20.7 Effect of FRS17 on Net Expenditure

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Total income as reported	1,003,341	970,003	990,084	970,003
Total expenditure as reported	(1,113,384)	(1,092,073)	(1,101,466)	(1,086,580)
Less FRS17 charge	68,498	70,664	68,000	70,000
Restated expenditure pre FRS17	(1,044,886)	(1,021,409)	(1,033,466)	(1,016,580)
Restated operating surplus pre FRS17	(41,545)	(51,406)	(43,382)	(46,577)
Interest earned	867	2,643	-	-
Less FRS17 adjustment	99,177	96,316	100,000	97,000
Restated interest income pre FRS17	100,044	98,959	100,000	97,000
Restated surplus/(deficit) pre FRS17	58,499	47,553	56,618	50,423

7.20.8 Amounts Recognised in the Statement of Total Recognised Gains and Losses

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Actual return less expected return on scheme assets	4,315	(1,157)	-	-
Experience gains and losses arising on scheme liabilities	196,633	(174,104)	194,000	(175,000)
Change in assumptions underlying present value of scheme liabilities	376,423	97,534	387,000	94,000
Net actuarial (gains)/losses recognised in the period	577,371	(77,727)	581,000	(81,000)

7.20.9 Cumulative Net Actuarial Gains Recognised in the Statement of Total Recognised Gains and Losses

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
At beginning of period	500,805	578,532	497,000	578,000
Actuarial (gain)/loss on pension scheme	577,371	(77,727)	581,000	(81,000)
At end of period	1,078,176	500,805	1,078,000	497,000

Cumulative net actuarial gains/(losses) for Central Government have been determined as the amounts recognised in the statement of total recognised gains and losses 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 total recognised gains and losses since the period ended 31 March 2004, based on FRS17 applicable during those years.

The net actuarial loss for Central Government for 2014-15 comprises a £477 million loss for changes in assumptions underlying the present value of scheme liabilities, an experience loss of £194 million and £90 million gain for changes in the demographic assumptions. This compares to 2013/14 which saw an experience gain of £175 million reduced by £94 million for changes in assumptions underlying the present value of scheme liabilities.

7.20.10 Historical Information

	Group				
	2015	2014	2013	2012	2011
	£'000s	£'000s	£'000s	£'000s	£'000s
Present value of scheme Liabilities	(3,085,585)	(2,384,127)	(2,358,740)	(2,007,831)	(1,859,606)
Fair value of scheme assets	71,340	64,186	62,506	55,727	52,462
Net scheme deficit	(3,014,245)	(2,319,941)	(2,296,234)	(1,952,104)	(1,807,144)
Experience adjustments on scheme liabilities	196,633	(174,104)	60,976	56,270	37,392
Experience adjustments on scheme assets	4,315	(1,157)	3,803	477	329

	Central Government				
	2015	2014	2013	2012	2011
	£'000s	£'000s	£'000s	£'000s	£'000s
Present value of scheme Liabilities	(3,009,000)	(2,318,000)	(2,291,000)	(1,948,000)	(1,807,000)
Fair value of scheme assets	-	-	-	-	-
Net scheme deficit	(3,009,000)	(2,318,000)	(2,291,000)	(1,948,000)	(1,807,000)
Experience adjustments on scheme liabilities	194,000	(175,000)	61,000	56,000	37,000
Experience adjustments on scheme assets	-	-	-	-	-

Further information in respect of the experience loss for 2014-15 is included at Note 7.20.9.

7.21 Contingent Liabilities

Specific guarantees or potential liabilities at 31 March 2015 totalled £217.6 million (2014: £220.9 million, note iv), as set out below:

	Group		Central Government	
	2014-15	2013-14	2014-15	2013-14
	£'000s	£'000s	£'000s	£'000s
Local Authority Borrowing	208,116	207,987	208,116	207,987
Medical Indemnity Fund	3,666	8,792	3,666	8,792
Insurance Fund	4,211	2,474	4,211	2,474
Meat Plant	1,000	1,000	1,000	1,000
Economic Development Fund	410	410	410	410
Student Loans	245	284	245	284
Total	217,648	220,947	217,648	220,947

- i. This statement records Government's identified potential liabilities and specific guarantees, and references the sums available to meet those potential claims.
- ii. Local Authority Borrowing relates to Letters of Comfort issued by Treasury to Bankers in relation to authorised Local Authority borrowing to a value of £264.2 million at 31 March 2015 (2014: £256.2 million).
- iii. The Medical Indemnity Fund and Insurance Fund 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.
- iv. 2013-14 has been restated to include the Meat Plant
- v. The Economic Development Fund amounts relate to guarantees issued from the Economic Development Fund.
- vi. 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 graduate loans issued by the bank. The maximum amount guaranteed under this facility is £10.0 million (2014: £10.0 million).
- vii. Isle of Man Government has given an undertaking to financially support the Manx Utilities Authority.

7.22 Post Balance Sheet Events

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

7.23 Related Party Transactions

Direction 5 of the Audit Directions 2008 require the Government to disclose 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.

The following material transactions or balances were identified for the financial year 2014-15 (2013-14: none).

Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt.	Type of payment made to Company
David Anderson MHK	Ballamoar Farm Ltd	Owner	£56,324	Countryside Care Scheme grant
Phil Gawne MHK	Mooijer Veggey	Chairman / Director	£329,252	Various supplier payments
John Quinn, Acting Attorney General	The Sefton Group	Shareholder / Debtor	£114,402	Various supplier payments

The Government has interests in companies and the relevant disclosures can be found in Note 7.10.

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>. In addition, 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.

7.24 Reconciliation of Net Cash Flow from Operating Activities

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Surplus/(Deficit) Before Interest	7,475	(7,344)	(9,410)	(18,164)
Net transfer to earmarked reserves	(44,623)	(45,666)	(43,284)	(50,516)
Operating (Deficit)	(37,148)	(53,010)	(52,694)	(68,680)
Depreciation and amortisation charges	117,305	127,063	95,489	104,719
Deferred income release	(488)	(470)	-	-
Net transfer to/from external reserves	(70,125)	(88,295)	(71,439)	(83,487)
(Gain)/loss on sale of fixed assets	(162)	(3,758)	(55)	(3,690)
(Gain)/loss on sale of investments	(4,027)	(904)	-	-
Defined benefit scheme - current service cost in excess of contributions	(23,502)	(6,336)	(24,000)	(7,000)
Movements in working capital:				
- Decrease in stocks	569	25	531	171
- Decrease/(increase) in debtors	64,539	(69,461)	63,363	(73,927)
- (Decrease) in creditors	(23,856)	(50,457)	(20,071)	(50,910)
Net cash inflow/(outflow) from operating activities	23,105	(145,603)	(8,876)	(182,804)

7.25 Reconciliation of Movement in Cash and Net Cash

7.25.1 Reconciliation of Net Cash Flow to Movement in Cash

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Increase in cash in the period	32,767	(103,445)	30,571	(100,601)
Repayment of bank loans	7,979	39,550	-	-
Loans advanced	(7,397)	(670)	-	-
Repayment of finance lease debt	4,815	4,635	1,432	1,349
Movement in net cash in the period	38,164	(59,930)	32,003	(99,252)
Unrealised gain on currency revaluation	4,026	1,013	-	-
	42,190	(58,917)	32,003	(99,252)
Opening net cash	173,944	232,861	139,235	238,487
Closing net cash	216,134	173,944	171,238	139,235

7.25.2 Analysis of Net Cash

	Group		Central Government	
	2014-15 £000's	2013-14 £000's	2014-15 £000's	2013-14 £000's
Short term deposits	272,436	230,488	237,974	198,034
Cash at bank and in hand	293,161	289,420	246,366	243,231
Total cash	565,597	519,908	484,340	441,265
Bank overdraft	(20,877)	(8,394)	(20,801)	(8,297)
Loans payable	(262,905)	(263,035)	(260,000)	(260,000)
Finance debt	(65,681)	(74,535)	(32,301)	(33,733)
Net cash	216,134	173,944	171,238	139,235

7.26 Analysis of Change in Net Cash

7.26.1 Group Accounts

	Group		
	At 1 April 2014 £000's	Cash flow £000's	At 31 March 2015 £000's
Short term deposits	230,488	41,948	272,436
Cash at bank and in hand	289,420	3,741	293,161
Total cash	519,908	45,689	565,597
Bank overdraft	(8,394)	(12,483)	(20,877)
Loans payable	(263,035)	130	(262,905)
Finance debt	(74,535)	8,854	(65,681)
Net cash	173,944	42,190	216,134

7.26.2 Central Government

Central Government			
	At 1 April 2014	Cash flow	At 31 March 2015
	£000's	£000's	£000's
Short term deposits	198,034	39,940	237,974
Cash at bank and in hand	243,231	3,135	246,366
Total cash	441,265	43,075	484,340
Bank overdraft	(8,297)	(12,504)	(20,801)
Loans payable	(260,000)	-	(260,000)
Finance debt	(33,733)	1,432	(32,301)
Net cash	139,235	32,003	171,238

7.27 Analysis of Change in Liquid Resources

Group and Central Government				
	At 1 April 2014	Cash flow	Non-Cash Change	At 31 March 2015
	£000's	£000's	£000's	£000's
Long Term Investments	1,156,107	(8,524)	58,154	1,205,737

7.28 Comparative Amounts

In January 2014 a restructuring of Government Departments was approved by Tynwald. Key changes announced were the creation of a Cabinet Office (principally comprising of the Chief Secretary's Office and Office of Human Resources from Executive Government, together with the Information Systems Division of the Department of Economic Development), the merging of the Department of Health and Department of Social Care (with Social Security transferring to the Treasury) and the dissolution of the Department of Community, Culture and Leisure. Furthermore, a further shared service initiative was announced by Government to centralise additional common functions across Government.

In addition, the Isle of Man Water and Sewerage Authority and Manx Electricity Authority have been combined into a single authority, the Manx Utilities Authority.

These changes all took effect from 1 April 2014. Previous year's figures have been updated to reflect the new structures.

Operating leases are now calculated on a UK GAAP Basis. Additionally, the prior year figures in the note for Operating Leases (Note 7.5.1) have been restated as they had included amounts for assets held under a finance lease (the Energy From Waste Plant).

The 2013/14 amount for fees payable with regard to external audit services has been restated to reflect the fee payable in respect of that year (rather than the fee actually paid in the year).

The prior year figure in the note for Contingent Liabilities (Note 7.21) has been restated to include the Meat Plant (£1m).

8 Analysis of Expenditure of Department and Other Bodies

8.1 Overview

Detailed information in respect of Central Government income and expenditure is reported in the Detailed Government Accounts (GD 2015/0028). 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 2014-15 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 Social Care and the movement on the value of the strategic oil reserve (which is excluded from the Detailed Government Accounts).

	2014-15				
	As Reported £'000s	Fixed Assets Adjustments £'000s	Pension Adjustments £'000s	Other £'000s	As Adjusted £'000s
Expenditure – Voted Services					
Economic Development	2,992	1,158	1,872	-	6,022
Education & Children	89,634	13,128	16,629	-	119,391
Environment, Food & Agriculture	13,413	2,753	1,259	-	17,425
Health & Social Care	184,387	10,416	23,385	-	218,188
Home Affairs	28,343	(1,025)	6,071	-	33,389
Infrastructure	47,071	62,902	7,650	(3,404)	114,219
Treasury	102,287	(515)	2,963	1,077	105,812
	468,127	88,817	59,829	(2,327)	614,446
Other bodies					
Cabinet Office	25,720	(2,971)	2,850	-	25,599
Executive Government	39,745	(11)	(89,566)	-	(49,832)
Manx National Heritage	3,765	(86)	621	-	4,300
Road Transport Licensing Committee	79	-	17	-	96
Statutory Board (Revenue Funded)	(1,530)	(57)	1,455	-	(132)
	67,779	(3,125)	(84,623)	-	(19,969)
Expenses of the Legislature	4,705	(320)	794	-	5,179
Total Voted Expenditure	540,611	85,372	(24,000)	(2,327)	599,656

The following table shows net expenditure by Department for 2013-14 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. Similar adjustments have been applied as in the preceding table (for 2014-15).

	2013-14				
	As Reported £'000s	Fixed Assets Adjustments £'000s	Pension Adjustments £'000s	Other £'000s	As Adjusted £'000s
Expenditure – Voted Services					
Economic Development	5,078	662	2,127	-	7,867
Education & Children	97,596	17,456	13,535	-	128,587
Environment, Food & Agriculture	14,691	2,414	1,413	-	18,518
Health & Social Care	186,741	16,166	25,852	(224)	228,535
Home Affairs	29,823	1,036	7,705	-	38,564
Infrastructure	45,275	53,859	9,640	(3,404)	105,370
Treasury	106,733	(5,771)	2,985	277	104,224
	485,937	85,822	63,257	(3,351)	631,665
Other bodies					
Cabinet Office	13,864	-	-	-	13,864
Executive Government	32,169	-	(73,340)	-	(41,171)
Manx National Heritage	3,717	(58)	683	-	4,342
Road Transport Licensing Committee	76	-	18	-	94
Statutory Board (Revenue Funded)	(1,889)	-	1,485	-	(404)
	47,937	(58)	(71,154)	-	(23,275)
Expenses of the Legislature	4,358	(340)	898	-	4,916
Total Voted Expenditure	538,232	85,424	(6,999)	(3,351)	613,306

8.3 Department Net Expenditure and Approved Budget

BUDGET 2014-15 Net Expenditure £'000s	ACTUAL 2014-15			ACTUAL 2013-14 Net Expenditure £'000s	
	Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s		
DEPARTMENT OF ECONOMIC DEVELOPMENT					
678	Central Services	1,760	1,162	598	951
3,052	Training Employment Skills	3,129	285	2,844	3,115
2,775	Economic Development Group	2,613	77	2,536	2,388
3,500	Financial Assistance Scheme	3,233	-	3,233	3,026
(400)	Ship Registry	2,193	3,475	(1,282)	(841)
(747)	Aircraft Registry	2,753	4,899	(2,146)	(2,237)
4,920	Tourism	7,742	2,231	5,511	5,662
344	Tourism Events	243	-	243	313
(10,321)	Companies Registry	490	10,674	(10,184)	(10,025)
392	Manx Welcome Centre	409	60	349	310
1,350	Villa Gaiety	4,672	3,381	1,291	2,414
5,541	Total	29,236	26,244	2,992	5,078
DEPARTMENT OF EDUCATION & CHILDREN					
21,079	Primary Education	20,850	62	20,788	22,408
24,930	Secondary Education	25,041	60	24,981	26,734
8,894	IOM College of Further and Higher Education	9,968	1,137	8,831	9,155
11,888	Universities etc. Awards	11,575	95	11,480	14,236
-	Works and Estates	70	-	70	50
-	Meals & Milk Service	-	-	-	483
872	Youth & Community Services	883	24	859	932
2,420	Education Improvement Service	2,359	94	2,265	3,439
8,251	Services for Children	8,651	20	8,631	8,386
8,080	Central	7,855	6	7,849	8,412
2,001	Sports and Recreation	5,642	1,855	3,787	1,889
98	Arts and Entertainment	760	666	94	1,472
1,735	Facility Support	-	-	-	-
90,248	Total	93,654	4,020	89,634	97,596
DEPARTMENT OF ENVIRONMENT, FOOD & AGRICULTURE					
718	Corporate Services	948	164	784	985
8,120	Agriculture	8,361	366	7,995	8,471
404	Wildlife Park	652	308	344	389
739	Fisheries	765	190	575	875
1,641	Forestry	2,493	791	1,702	2,145
1,198	Environment	1,464	77	1,387	1,177
656	Government Laboratory	720	93	627	650
13,475	Total	15,402	1,989	13,413	14,691

BUDGET 2014-15 Net Expenditure £'000s	ACTUAL 2014-15			ACTUAL 2013-14 Net Expenditure £'000s	
	Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s		
DEPARTMENT OF HEALTH & SOCIAL CARE					
Core Services					
76	Chief Executive's Office	477	-	477	245
1,092	Chief Operating Officer's Office	788	90	698	2,981
-	Estates	-	-	-	20
6,257	Finance	9,082	3,774	5,308	819
-	Information Management & Technology	163	-	163	2,169
1,612	Public Health	1,513	5	1,508	1,268
Hospital & Specialist Services					
81,297	Noble's Hospital	91,310	3,189	88,121	85,791
3,990	Ramsey District Cottage Hospital	3,974	41	3,933	4,062
14,212	Tertiary Referrals	16,015	-	16,015	15,641
15,593	Mental Health	16,151	4	16,147	15,649
Primary Health Care					
166	Administration	31	-	31	1,286
7,752	Community Services	8,040	134	7,906	7,911
2,611	Ambulance Service	3,076	-	3,076	3,140
36,156	Practitioner Services	37,135	1,333	35,802	34,633
379	Prison Health Care	376	-	376	395
Social Security Administration Act 1992 (section 162)					
(36,404)	NI Contributions	-	36,398	(36,398)	(36,285)
134,791	sub-total	188,131	44,967	143,164	139,725
Social Care					
19,592	Children Services Area	15,968	(3)	15,971	16,385
26,233	Adult Services Area	29,911	5,485	24,426	24,032
45,825	sub-total	45,878	5,483	40,396	40,417
337	Core Services (DSC)	669	117	552	2,364
Housing Division					
2,508	Administration Housing	2,432	-	2,432	2,762
934	Local Authority Housing Deficiency	3,711	5,868	(2,157)	1,472
3,442	sub-total	6,143	5,869	275	4,235
184,394	Total	240,822	56,435	184,387	186,741
DEPARTMENT OF HOME AFFAIRS					
970	Chief Executive's Office	1,133	118	1,015	1,106
143	Civil Defence	131	-	131	219
4,675	Fire & Rescue Service	4,760	40	4,720	4,934
8,079	Prison and Probation	8,292	92	8,200	8,376
1,392	Communications	1,852	468	1,384	1,459
13,105	Constabulary	13,228	335	12,893	13,729
28,363	Total	29,396	1,053	28,343	29,823

BUDGET 2014-15 Net Expenditure £'000s	ACTUAL 2014-15			ACTUAL 2013-14 Net Expenditure £'000s	
	Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s		
DEPARTMENT OF INFRASTRUCTURE					
21,423	Operations	18,102	22,261	(4,159)	18,148
5,191	Ports	13,886	10,360	3,526	6,315
189	Highways	21,886	8,668	13,218	882
7,865	Properties & Estates	32,596	7,764	24,831	8,613
641	Planning and Building Control	1,299	1,040	259	474
2,831	Corporate Services	1,066	88	978	1,591
-	Water and Sewerage Authority Grant	-	-	-	36
38,141	sub-total	88,835	50,181	38,653	36,058
PUBLIC TRANSPORT DIRECTORATE					
8,097	Operations	8,901	-	8,901	7,706
3,662	Engineering	3,645	3	3,642	3,873
(5,094)	Income	-	4,775	(4,775)	(4,399)
2,267	Administration & Commercial	650	-	650	2,036
8,932	sub-total	13,196	4,778	8,418	9,216
47,073		102,031	54,960	47,071	45,275
TREASURY (Net Expenditure)					
4,758	Corporate Strategy Division	4,933	-	4,933	4,410
1,960	Customs & Excise Division	1,886	-	1,886	2,023
3,594	Finance Division	3,702	-	3,702	4,196
4,292	Income Tax Division	4,080	-	4,081	4,431
457	Assurance Advisory Division	534	107	427	405
9,769	Grants	9,907	-	9,907	11,547
1,300	Lottery Duty Distribution	1,480	-	1,480	1,262
National Insurance Benefits					
2,628	National Insurance Operating Account	197,335	199,323	(1,988)	(1,566)
(2,628)	National Insurance Investment Account	-	-	-	-
79,894	Non-Contributory Benefits	77,861	-	77,861	80,027
79,894	sub-total	275,196	199,323	75,873	78,461
106,023	Total	301,717	199,430	102,287	106,733
CABINET OFFICE					
2,978	Chief Secretary's Office	4,265	973	3,292	2,081
512	Economic Affairs Division	440	-	440	491
17,297	Government Technology Services	19,770	2,747	17,023	8,394
5,435	Office of Human Resources	5,031	65	4,966	2,898
26,223	Total	29,505	3,785	25,720	13,864

BUDGET 2014-15 Net Expenditure £'000s	ACTUAL 2014-15			ACTUAL 2013-14 Net Expenditure £'000s	
	Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s		
OTHER BODIES					
Executive Government					
<i>Administration</i>					
158	Industrial Relations Office	143	-	143	137
149	Office of the Data Protection Supervisor	187	94	93	65
88	Veterans Welfare Service	76	-	76	60
<i>Administration of Justice</i>					
2,891	Attorney General's Office	2,944	57	2,887	2,722
3,347	General Registry	8,671	5,790	2,882	3,934
26,000	Pensions	67,851	36,605	31,245	22,853
2,400	Miscellaneous Statutes & Charges	2,415	(3)	2,418	2,399
35,033	Total	82,287	42,543	39,745	32,169
3,795	Manx Museum & National Trust	4,585	821	3,765	3,717
3,795	Total	4,585	821	3,765	3,717
105	Road Transport Licensing Committee	128	49	79	76
105	Total	128	49	79	76
Statutory Boards (Revenue Funded)					
(458)	Communications Commission	402	957	(555)	(884)
-	Financial Supervision Commission	3,506	3,506	-	-
(1,704)	Gambling Supervision Commission	686	1,779	(1,093)	(1,393)
(278)	Insurance And Pensions Authority	1,610	2,157	(547)	(211)
712	Office Of Fair Trading	708	43	665	599
-	Public Sector Pensions Authority	6	6	-	-
(1,728)	Total	6,918	8,448	(1,530)	(1,889)
538,545	Government Total	935,681	399,777	535,906	533,872
Expenses of the Legislature					
4,187	Legislature	3,984	60	3,925	3,770
870	Members' Pensions	781	-	781	589
5,057	Total	4,765	60	4,705	4,358
543,602	Total Revenue Expenditure	940,446	399,837	540,611	538,230

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 2015/0028). 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. Many 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

	Central Government	
	2014-15	2013-14
	£'000s	£'000s
Assets		
Advances to Borrowing Accounts:-		
Fixed Assets - Central Government	663,731	670,066
Fixed Assets - Statutory Boards	1,074,698	1,068,363
Long Term Loans	4,372	4,947
Cash at Bank	44,409	50,623
Total	1,787,210	1,793,999
Liabilities		
Loans Outstanding:-		
Bond Issues	260,000	260,000
Capital Fund	859,107	858,986
Capital Discharged	668,103	675,013
Total	1,787,210	1,793,999

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 2014-15 totalled £49.4 million, including £nil advanced to the Manx Utilities Authority to repay an external loan (2013-14: £91.2 million including £35.0 million advanced to the Manx Electricity Authority to repay an external loan).
- iii. The Bond issues referred to above were made by the Treasury on behalf of the Manx Utilities Authority (2013/14: £165 million Manx Electricity Authority and £75 million Isle of Man Water and Sewage Authority). These amounts relate to amounts raised by Treasury through a Bond Issue on behalf of the two Statutory Boards (now merged into one), the proceeds of which were then loaned to the Statutory Boards 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 £nil (2013-14: £nil) was paid to the Capital Fund during the year, as the interest rate was set at 0.00% (2013-14: 0%).

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

	Central Government	
	2014-15	2013-14
	£'000s	£'000s
Advances to Borrowing Accounts:-		
Fixed Assets	1,738,429	1,738,429
Long Term Loans	4,372	4,947
Capital Discharged	(668,103)	(675,013)
Net Advances Outstanding	1,074,698	1,068,363

9.3 Consolidated Loans Fund Interest Transactions

	Central Government	
	2014-15	2013-14
	£'000s	£'000s
Income		
Investment Interest	121	24
Bond Interest recharged to IOM Water Authority	4,219	4,219
Bond Interest recharged to MEA	9,944	9,944
Bond Interest recharged to Reserve Fund	-	-
Balance received from Departments	-	-
Total income	14,284	14,187
Expenditure		
Interest on Bond Issues	14,163	14,163
Interest on Capital Fund	121	24
Total expenditure	14,284	14,187

Notes:

- i. The balance on the Interest Transactions Accounts represents net interest charged to Borrowing Accounts in the year ended 31 March 2015 at an average rate of 0.00% (2013-14: 0.00%).
- ii. Interest on the Manx Utilities Authority Bond Issue (£14.1 million, 2013-14: £14.1 million) was charged in full to the MUA during the year (2013-14: £9.9 million charged to MEA and £4.2 million charged to the Isle of Man Water and Sewerage Authority).
- iii. The Bond Issues referred to above were made by the Treasury on behalf of the Manx Electricity Authority and the Isle of Man Water and Sewerage Authority (now combined as the Manx Utilities Authority).

9.4 Summary of Capital Advances

DEPARTMENT	Advances Outstanding at 1st April 2014 £'000s	Advances		Repayments			Advances Outstanding at 31st March 2015 £'000s
		Year 2014-15 £'000s	Total to 31st March 2015 £'000s	Advances Repaid 2014-15 £'000s	Capital Receipts etc 2014-15 £'000s	Total Repaid to 31st March 2015 £'000s	
Economic Development	17,138	354	55,196	1,223	-	38,927	16,269
Education and Children	101,210	7,184	195,150	4,119	5,000	95,875	99,275
Environment, Food and Agriculture	12,152	2,511	35,162	576	43	21,118	14,044
Health and Social Care	145,956	10,935	408,084	6,493	5,085	262,771	145,313
Home Affairs	48,154	5,060	82,303	1,618	255	30,962	51,341
Infrastructure	191,331	11,813	431,085	9,106	111	237,158	193,927
Treasury	7,582	10	138,919	667	-	131,994	6,925
Executive Government	-	-	402	-	-	402	-
Manx National Heritage	10,935	563	24,303	745	-	13,550	10,753
Expenses of the Legislature	6,442	-	10,257	342	-	4,157	6,100
Borrowing Authorities							
Isle of Man Post Office	-	-	900	-	-	900	-
Manx Utilities Authority	527,463	11,034	639,068	7,746	-	108,317	530,751
TOTAL	1,068,363	49,464	2,020,829	32,635	10,494	946,131	1,074,698

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