

GD 2016/0055



ISLE OF MAN GOVERNMENT ACCOUNTS 2015/16

www.gov.im



**Isle of Man
Government**
Beilga Ellen Vannin



Isle of Man
Government

Reiltys Ellan Vannin

AUDITED ACCOUNTS

For the Year Ended 31 March 2016

LAID BEFORE TYNWALD BY THE TREASURY



CONTENTS

1	Explanatory foreword	4
2	Financial Highlights and Commentary	7
3	Statement of Responsibilities for the Statement of Accounts	15
4	Statement on Internal Control - Year ended 31 March 2016.....	16
5	Report of the Independent Auditors, KPMG Audit LLC, to the Treasury	19
6	Statement of Accounts	21
6.1	Income and Expenditure Account – Summary	21
6.2	Income and Expenditure Account – Group	23
6.3	Income and Expenditure Account – Central Government.....	24
6.4	Statement of Total Movement on the General Revenue Account Balance	25
6.5	Statement of Comprehensive Income	26
6.6	Balance Sheet	27
6.7	Cash Flow Statement	28
6.8	Statement of Changes in Equity.....	29
7	Notes to the Statement of Accounts	30
7.1	Accounting Policies	30
7.2	Critical Accounting Judgements and Estimation Uncertainty	38
7.3	Analysis of Treasury Income	39
7.4	Deficit for the Year	42
7.5	Staff Remuneration.....	43
7.6	Key Management Compensation.....	43
7.7	Interest Payable and Similar Charges.....	44
7.8	Financial Commitments.....	44
7.9	External Audit Fees.....	45
7.10	Fixed Assets	46
7.11	Heritage Assets	50
7.12	Capital Commitments.....	51
7.13	Financial Instruments	52
7.14	Long Term Investments	53
7.15	Government Owned Companies.....	60
7.16	Debtors and prepayments	62
7.17	Stocks and Work in Progress	63
7.18	Cash Balances	64
7.19	Creditors and Third Party Funds	65
7.20	Deferred Income	65
7.21	Loans Payable	66
7.22	Other Financial Liabilities	67
7.23	Movements on Reserves	68
7.24	Pensions	71
7.25	Contingent Assets.....	75
7.26	Contingent Liabilities.....	75
7.27	Post Balance Sheet Events	75
7.28	Related Party Transactions.....	76
7.29	Reconciliation of Net Cash Flow from Operating Activities	79
7.30	Transition to FRS 102	80
7.31	Restatement of Prior Year Accounts due to FRS102 and Other Changes.....	82
8	Reconciliation of Expenditure of Departments and Other Bodies.....	84
9	Consolidated Loans Fund	86





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 2016.

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). During the year the Accounts for 2015-16 have been adapted to incorporate FRS 102. As a result there have been changes to the presentation of the accounts. An explanation of how the transition to FRS102 has affected the reported financial position is given in Note 7.30.

1.3 Financial Highlights and Commentary (Section 2)

The financial commentary is intended to provide a quick guide to the Government's annual transactions and its year end position. 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 (Section 3)

This sets out the respective responsibilities for preparing the Accounts.

1.5 Statement on Internal Control (Section 4)

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

1.6 Independent Auditor's Report (Section 5)

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

1.7 Income and Expenditure Account (Sections 6.1-6.3)

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

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



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

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

1.9 Statement of Comprehensive Income (Section 6.5)

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

1.10 Balance Sheet (Section 6.6)

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

1.11 Cash Flow Statement (Section 6.7)

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

1.12 Statement of Changes in Equity (Section 6.8)

The Statement of Changes in Equity is a new requirement under FRS102. It presents the surplus or deficit for the reporting period, other comprehensive income, the effects of changes in accounting policies, corrections of material errors recognised in the period and the other movements in reserves.

1.13 Notes to the Accounts (Section 7)

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

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



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

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

A more detailed analysis of Department expenditure is presented within the Detailed Government Accounts (Tynwald document number GD2016/0034).

1.15 Consolidated Loans Fund (Section 9)

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

1.16 Additional Information

Throughout the document, reference is made to the Detailed Government Accounts (Tynwald document number GD2016/0034), which are unaudited accounts published in July 2016. Known as the 'Light Blue Book', these accounts are published informally as a source of management information, containing a more detailed version of the Government's Accounts, comparing actual income and expenditure to the budgeted figures.

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

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

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

Additionally Government also issues a publication known as the 'Orange Book' - the "Accounts and Financial Information" which contains details of Trust Accounts and other third party statements. These are usually published after the Audited Accounts.

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

P Primrose, ACMA

Chief Accountant

Treasury, Finance Division

19 October 2016



2 Financial Highlights and Commentary

2.1 Introduction

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

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

2.2 Financial Highlights

FINANCIAL HIGHLIGHTS - GROUP					
		2015-16	2014-15	Variance	
		£000	£000	£000	Comments
REVENUE					
Operating Income		1,069,420	1,007,925	61,495	+£28M Customs Income which includes +£21.5M following settlement of the VAT sharing arrangement + £31M increase in respect of Reserves Income.
Operating Expenditure		(1,016,427)	(1,029,088)	12,661	Expense includes FRS102 adjustments: DHSC £13M worse than prior year; DOI £10M better; Exec Govt £9.5M better.
Other Expenditure		(229,418)	(70,792)	(158,626)	There was a £58M unrealised gain on investments in 2014-15 which moved to £121M loss in 2015-16
Deficit for the year		(187,141)	(91,955)	(95,186)	The deficit has worsened as a result of the large movement in unrealised investment gains/losses, following the transition to FRS102
CAPITAL					
Income		53,910	43,250	10,660	For 2015-16 interest charges were re-introduced on capital repayments. The charge was 1% for the year and amounted to £8.2M
Expenditure		51,591	49,464	2,127	2015-16 included £5.6M on the new Douglas Primary School and £2.5M on the TETRA replacement programme.
EXTERNAL RESERVES					
Market Value		1,458,833	1,501,922	(43,089)	At year-end there was a high cash balance due to the transition to new investment managers, which has distorted the market value
Investment Income		28,466	29,556	(1,090)	Investment income equates to 1.9% of the brought-forward balance for 2015-16 compared to 2% achieved in 2014-15



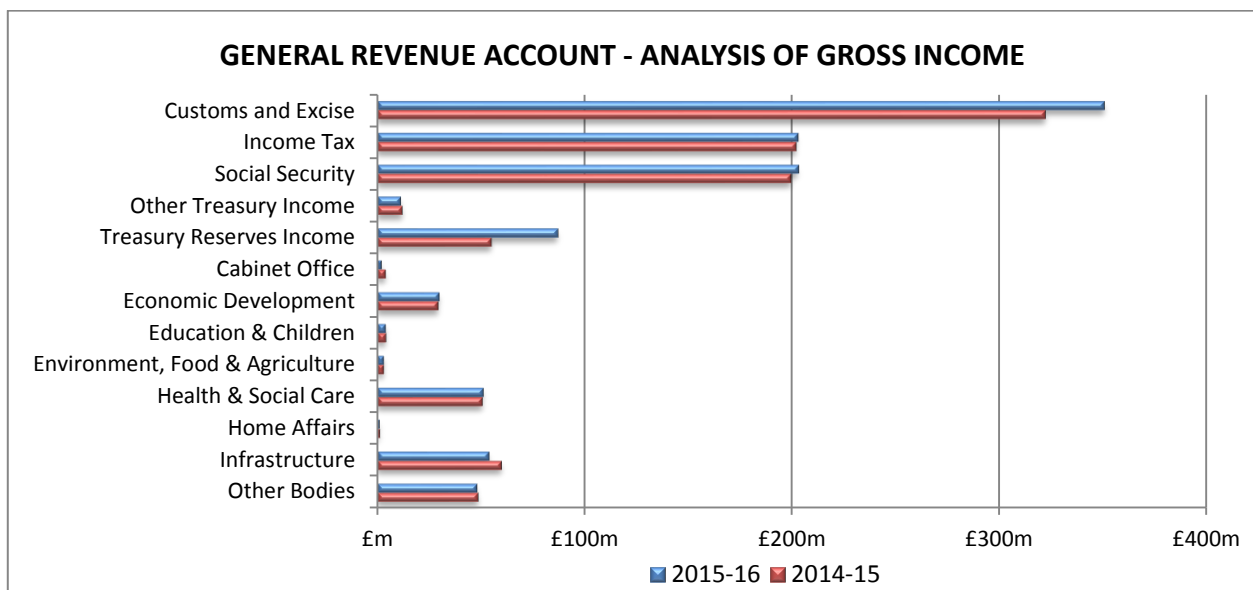
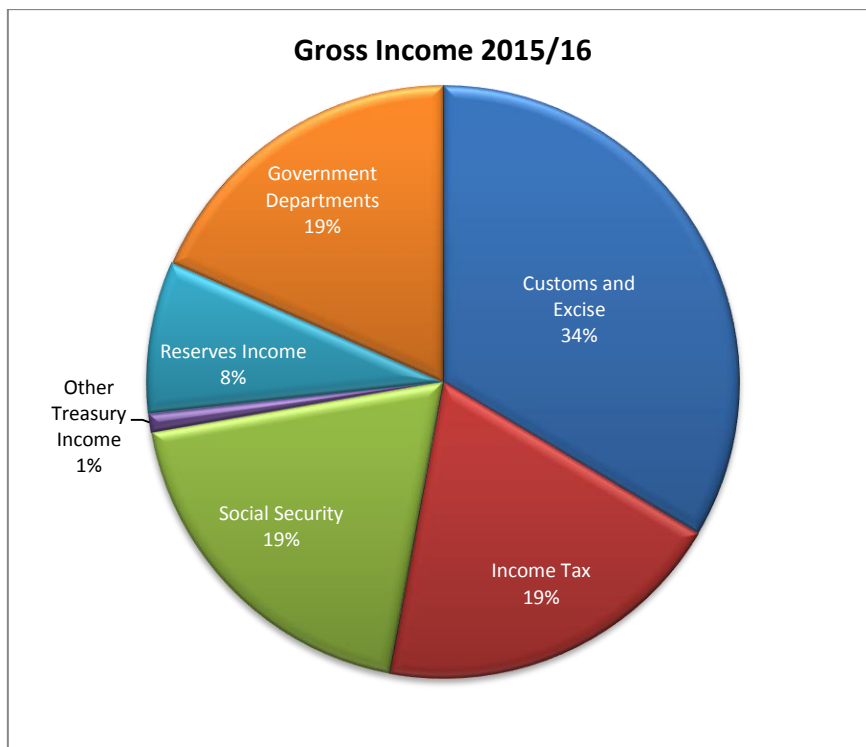
2.3 Central Government

2.3.1 Income

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

Gross income from all sources at £1,043.3 million (2014-15: £990.1 million) was above the budgeted figure largely as a result of an additional £21.5 million income received in respect of the VAT revenue sharing arrangement.

The increase from the previous year (£53.2 million) was mainly due to Customs income (up £28.3 million), and Reserves income (up £31.3 million). Since last year the income within the Social Security division of Treasury has been separated out for greater transparency.





2.3.2 Expenditure

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

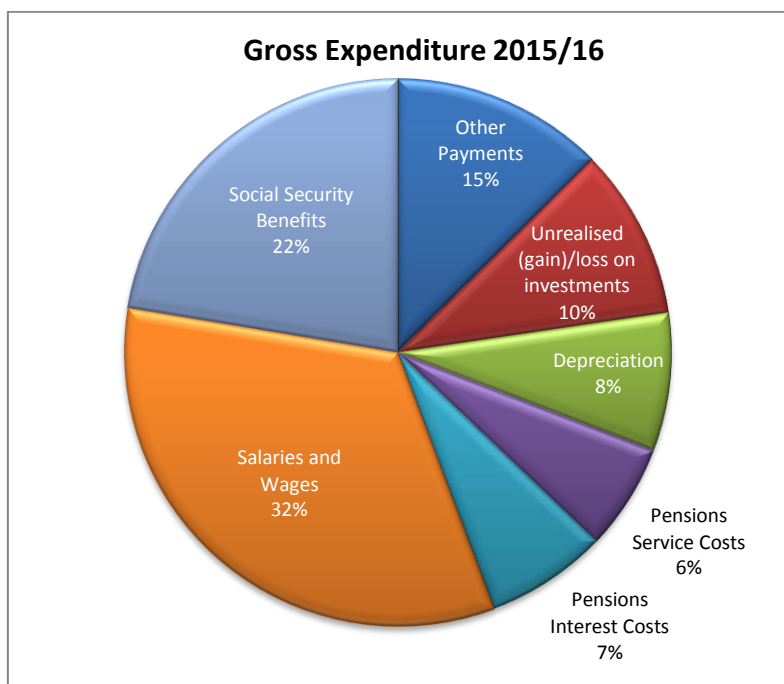
For 2015/16 the accounts have been produced under a new financial standard (FRS102) and this requires the accounts to include an accrual for employee leave. An amount of £1.8 million has been included as at 31 March 2015 and £1.9 million as at 31 March 2016 (representing a £115,000 charge for the year).

FRS102 also requires that unrealised gains or losses on investments are included within the Income and Expenditure Account rather than the Statement of Total Recognised Gains and Losses (which is no longer a requirement) and this has had quite a significant impact. In 2014/15 there was an unrealised gain of £58.1 million but in 2015/16 there was an unrealised loss of £121.0 million. The 2014/15 results have been restated to take account of these new requirements under FRS102.

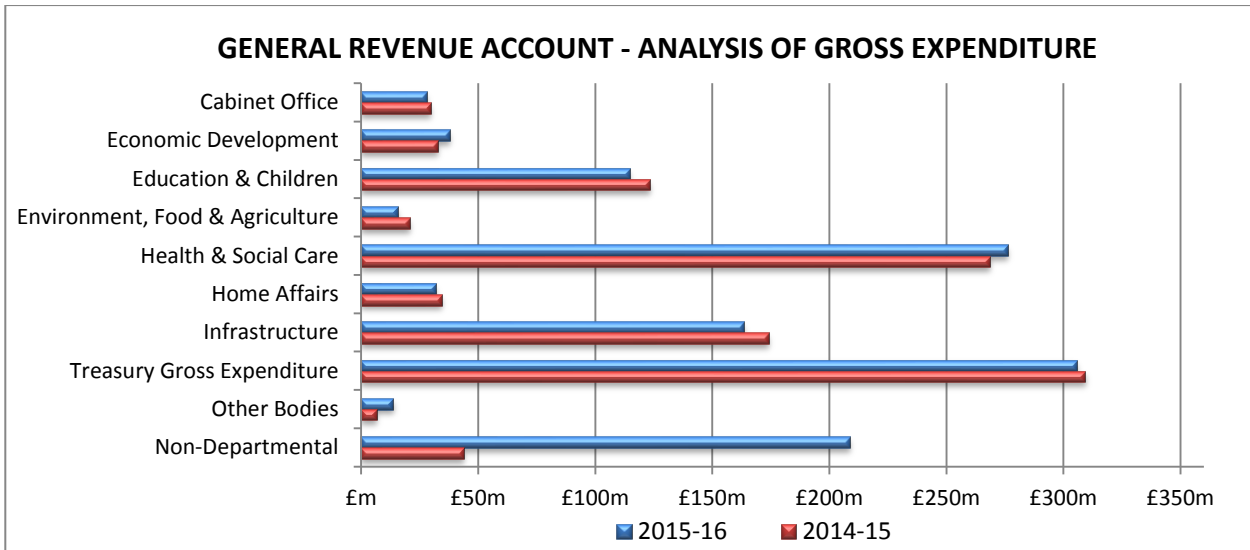
Gross expenditure for 2015-16 was £1,228.5 million (2014-15: £1,101.5 million; 2014-15 Restated: £1,077.5 million).

The pension interest costs included were £86.0 million (2014-15: £100.0 million; see note 7.24.6) and this reflects the estimated impact of inflation on existing pension liabilities between the annual actuarial valuations of the pension scheme liabilities.

The gross expenditure was £151.0 million higher than 2014-15 primarily due to the inclusion of the unrealised losses on investments.



All Departments except the Department of Health and Social Care stayed within their original expenditure budget for the year. The Department of Health and Social Care was £9.9 million over budget and sought a supplementary vote from Tynwald in July 2016 which was approved.

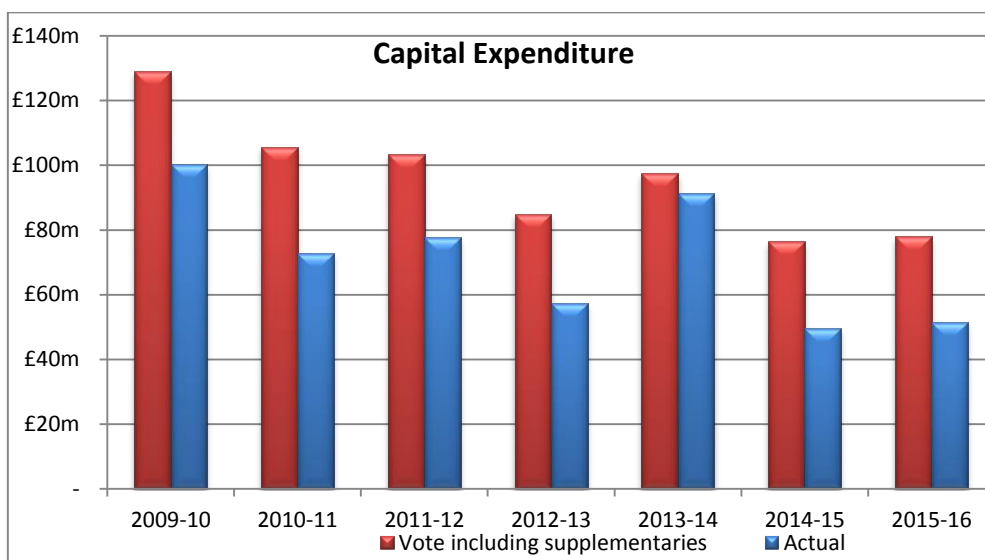


The 'Non-Departmental' costs above are the pensions interest and the unrealised gains or losses on Investments.



2.3.3 Capital Expenditure

Total capital expenditure for the year was £51.6 million (2014-15: £49.4 million). This compares with the original budget of £78.0 million (2014-15: £71.6 million). No Supplementary Votes were requested (2014-15: £4.8 million), although approval was granted by Tynwald for additional spending of £6.4 million during the year (2014-15 £2.2 million) which was as a result of timing differences (the budget was approved but in a different year than the spending occurred). Additionally, approval was granted for the transfer of a property from the Manx Utilities Authority to the Department of Home Affairs at a cost of £1.65 million.



The balance on the Capital Fund at the end of the year was £867.4 million (2015: £859.1 million) and the cash remaining available for capital expenditure was £46.7 million (2015: £44.4 million).

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



2.3.4 Reserve Funds (Note 7.24)

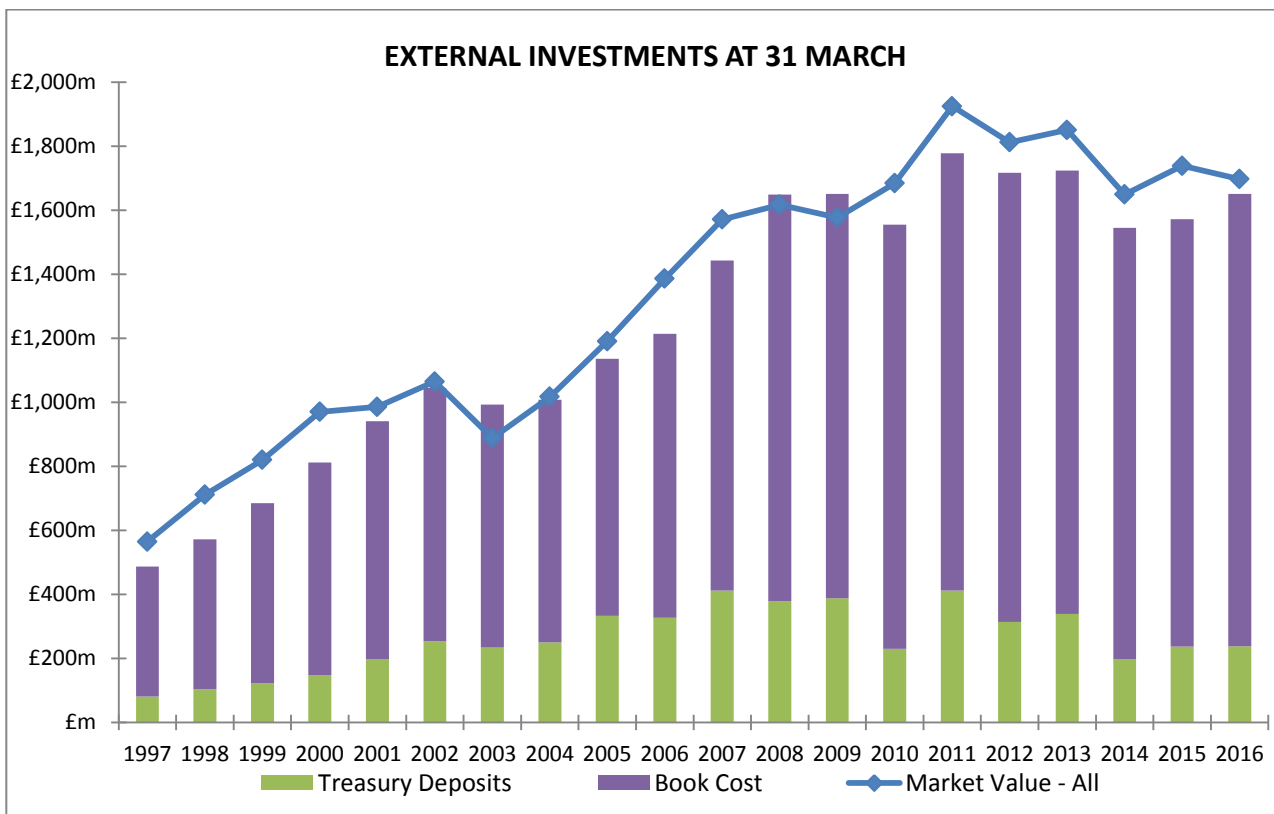
Treasury's investment strategies for the larger funds (which are invested by external investment managers) include exposure to equities and, although their market values can and have fluctuated downwards from time to time, the broad and long term trend has been upwards.

The administration of the MUA Bond Repayment Fund was transferred to the Treasury with effect from 1st April 2015 and this fund is now identified separately. The closing market value of the fund was £47.2 million.

In 2015-16 the market value of the investments (net of transfers into and out of the funds) decreased by £43.1 million (2014-15: increase of £48.5 million). However this figure includes the transfer in of the MUA Bond Repayment Fund. Excluding the value of that fund, the market value of the investments decreased by £90.3 million.

During 2015/16, Treasury undertook a tender for the appointment of external investment managers. As a result, in the last quarter of 2015/16 the investment portfolio was transitioning from the previous investment managers to the new ones and this may have artificially impacted the figures as more investments were held in cash than would normally be the case. On March 31st 2016 the cash element of the investments was £523.9 million (2014-15 £296.2 million).

Treasury Deposits increased marginally by £1.6 million (2014-15: increased by £39.9 million).



2.3.5 Transfers to or from Reserve Funds

The deficit for the year prior to transfers to or from Treasury reserves and funds (but after charging interest payable and unrealised investment losses) was £185.2 million (2014-15: £111.4 million; Restated £87.3 million).

There was no requirement to transfer money from the Reserve Fund (2014/15 deficit reduced by an £11.0 million transfer from the Reserve Fund). There was a transfer of £2.0 million to the Health Inspection Fund during the year (2014-15: £0.5 million to reserves).

The retained balance on the General Revenue Account increased by £19.9 million to £65.4 million (2014-15: increased by £4.2 million to £45.5 million).



2.3.6 Other Balances

Fixed Assets (Note 7.10.3)

The value of fixed assets decreased by £20.1 million to £2,254.3 million (2014-15: increased by £11.3 million) after depreciation charges of £96.9 million. During the year a revaluation of £50.3 million was applied in respect of prior year improvements to the airport, and £4.8 million in respect of properties. Depreciation of £7.1 million was charged on the revaluations, giving a net adjustment of £48.0 million.

Long Term Debtors (Note 7.16.1)

Long term debtors increased by £6.7 million to £550.4 million (2014-15: £543.7 million) predominantly due to advancement of loans under the House Purchase Assistance Scheme.

Pension Scheme Liability (Note 7.24.4)

The pension scheme liability in respect of Government pension schemes decreased by £18 million during the year to £2,991 million (2014-15: increased by £691 million to £3,009 million), principally due to an actuarial gain of £112 million (2014-15 loss of £581 million).

Internal Investments (Note 7.23.4)

The value of internal investments decreased by £16.7 million to £54.6 million (2014-15: decrease of £8.6 million to £71.3 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.

General Revenue Adjustments Account (Note 7.23.2)

The balance on the General Revenue Adjustments Account decreased by £1.8 million to (£396.9) million mainly as a consequence of the movement in fixed assets and in pensions charges (2014-15: decreased by £681.7 million to (£397) million; 2014-15 Restated reduced by a further £1.8 million as a result of the employee leave accrual to (£398.8) million).



2.4 Group Accounts

2.4.1 Contribution from Statutory Boards

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

The combined operational surplus for these bodies was £31.1 million (2014-15: surplus of £18.8 million; 2014-15 Restated £24.3 million).

However, the surplus reduces to a net surplus of £0.03 million (2014-15: surplus of £1.3 million; 2014-15 Restated deficit of £4.6 million) when net interest charges of £29.0 million (2014-15: £15.5 million; 2014-15 Restated £26.9 million) are included, mainly in respect of the Manx Utilities Authority (£28.9 million, 2014-15: £16.4 million; 2014-15 Restated £26.8 million).

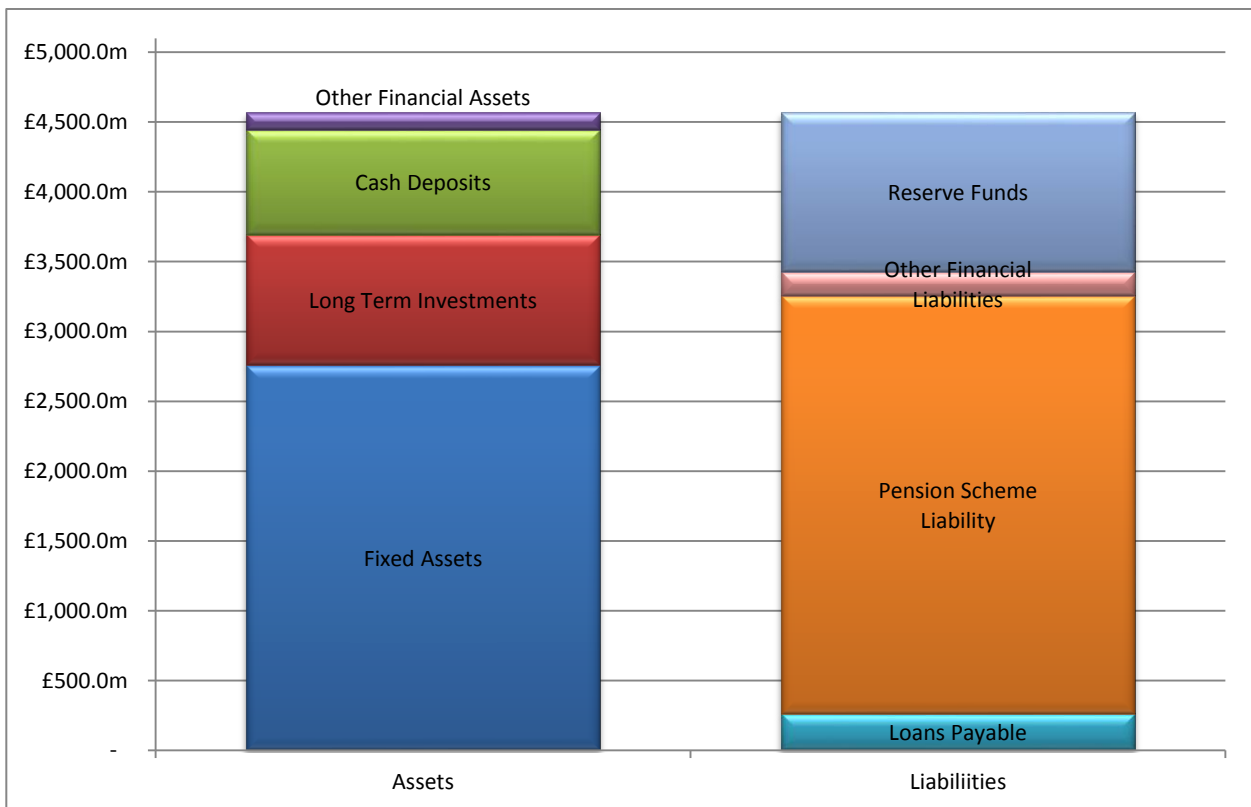
2.4.2 General Revenue Account

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

2.4.3 Balance Sheet

During the year the aggregate balance on the reserves held by the two non-revenue funded Statutory Boards and owned companies increased from the Restated 2014-15 amount by £2.5 million to £0.03 million (2014-15 £5.9 million; 2014-15 Restated (£2.6 million)). The 2014-15 figures have been restated to take account of the FRS102 requirement to recognise derivative financial instruments held by the Manx Utilities Authority at fair value. These relate to the forward purchase of natural gas and foreign currency in respect of the natural gas pipeline.

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 as applicable to an Isle of Man entity, 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 2016, and its income and expenditure for the year ended 31 March 2016.

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 2016 and the financial position of Isle of Man Government as at 31 March 2016.

S Lowe

Chief Financial Officer
Treasury Department
19 October 2016



4 Statement on Internal Control - Year ended 31 March 2016

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 to the Statement on Internal Control); who have provided assurance that they, and their relevant financial and senior officers, have taken responsibility for having in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. This requirement is set out in the Isle of Man Government's Corporate Governance Principles and Code of Conduct prescribed by the Council of Ministers, and specified by the Direction of the Treasury through the Audit Act 2006.

In essence, the Statement on Internal Control can be seen as a means of measuring and evidencing the health of the Government in the context of the above obligations 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 Services Authority, further enhance control assurance in those organisations. The Statement on Internal Control or Assurance Certificate produced by each designated body is then used as a basis for this Government-wide Statement on Internal Control.



Statement on Internal Control (Continued)

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

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

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

I am informed by the Director of Assurance Advisory Division that the results of the work undertaken during the 2015-16 assurance programme provides adequate assurance on the overall adequacy and effectiveness of the Government's framework of governance, risk management and control with the exception of the Department of Health and Social Care Acute Services. Due to the level of ongoing independent inspection activity in this area, the Audit Strategy was adjusted to reduce the overall level of coverage and as such there has not been sufficient audit work undertaken to enable an overall assurance to be given.

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

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, there have been 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. Assurance work is being focused upon these key risk areas to ensure that the associated systems of internal control are sufficient to provide reasonable assurance that those risks are being effectively managed.

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 three policy review standing committees.



Statement on Internal Control (Continued)

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

- the interpretation of, and compliance with, Financial Regulations specifically relating to the procurement of goods and services;
- the governance arrangements associated with the use of the National Insurance Fund to meet administrative expenses;
- 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 Audit Advisory Division of Treasury, external auditors, third party review and self-assessment. Each Accounting Officer must produce and put into effect plans to address control weaknesses when they arise (including those highlighted above) and must ensure continuous improvement of the systems and procedures in place

S Lowe

Chief Financial Officer, Treasury
19 October 2016

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

The Isle of Man Corporate Governance Principles and Code of Conduct apply to all "designated bodies" and "departments of Government" within the meaning of the Treasury Act 1985. **In this Code they are all referred to as "departments"**. The following were "designated bodies" for the purpose of the 2015-16 SIC:

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

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

any other body or authority (other than a local government body), 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

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

For the purposes of this document, the term "department of Government" includes the: Attorney General's Chambers, General Registry, Isle of Man Information Commissioner, Industrial Relations Service, Road Traffic Licensing Committee and Veterans' Welfare Service, 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 2016 which comprise the Income and Expenditure Accounts (Group and Central Government), the Statement of Total Movement on the General Revenue Account Balance, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, 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 applicable to an Isle of Man entity (as modified by any Directions issued by Treasury under Section 13 of the Audit Act 2006 and the requirements of the Accounts and Audit Regulations 2013 made under the Audit Act 2006).

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

5.2 Respective responsibilities of Treasury and Auditor

As explained more fully in the Responsibilities Statement set out on page 15, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (“APB’s”) Ethical Standards for Auditors.

5.3 Scope of the audit of the financial statements

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

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

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



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

5.4 Opinion on the Financial Statements

In our opinion the financial statements set out on pages 21 to 83:

- give a true and fair view of the state of the Isle of Man Government's affairs as at 31 March 2016 and of its deficit for the year then ended; and
- have been properly prepared in accordance with UK Accounting Standards as applicable to Isle of Man entity, as modified by any Directions issued by Treasury under Section 13 of the Audit Act 2006 and the requirements of the Accounts and Audit Regulations 2013 made under the Audit Act 2006.

5.5 Matters on which we are required to report by exception

In accordance with sections 4 and 6 of the Audit Act 2006, we are required to include a statement in our audit report providing particulars where a relevant body has not complied with any principles or code of conduct prescribed by the Council of Ministers. As stated in paragraph 4.4 on page 17 of the financial statements, there were instances where Treasury's Financial Regulations were not appropriately applied, including those relating to data protection and the procurement of goods and services.

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

1. 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. The Committee concluded its findings with a second report during January 2016. The following was noted:
 - 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.
2. Claims have been made against the Department of Economic Development after they passed information about a competitor to another company which was ultimately successful in a tender bid, contravening FD15 which aims to ensure information security.
3. Following a dispute between the Department of Economic Development and an event promoter in respect of events held in September 2014 and July 2016, allegations have been made that financial regulations were breached. In response to these allegations, a financial governance review has been undertaken by the Audit Advisory Division of Treasury. This review has highlighted certain areas of non-compliance with the FD8 Financial Regulations in respect of the event which was held in September 2014.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN
19 October 2016

KPMG Audit LLC



6 Statement of Accounts

6.1 Income and Expenditure Account – Summary

INCOME & EXPENDITURE ACCOUNT RECONCILIATION						
A	2015-16					Government Audited Accounts G £000
	Detailed Government Accounts B £000	Adjustments			Consolidation F £000	
		Fixed Assets C £000	Pensions D £000	Other E £000		
Treasury Department						
Customs and Excise	355,005	-	-	(4,752)	-	350,253
Income Tax	199,522	-	-	2,433	-	201,955
Social Security	202,229	-	-	-	-	202,229
Other Treasury Income	10,626	-	-	-	(1,715)	8,911
Treasury Reserves Income	-	-	-	86,224	-	86,224
Total Treasury Income	767,382	-	-	83,905	(1,715)	849,572
Other Departments						
Cabinet Office	(25,531)	2,616	(3,140)	(6)	-	(26,061)
Economic Development	(1,205)	(1,729)	(2,299)	-	-	(5,233)
Education & Children	(90,414)	(5,272)	(18,541)	-	-	(114,227)
Environment, Food & Agriculture	(13,578)	1,270	(1,571)	(2)	-	(13,881)
Health & Social Care	(193,606)	(11,137)	(25,689)	(10)	-	(230,442)
Home Affairs	(27,927)	(3,906)	(6,546)	10	-	(38,369)
Infrastructure	(45,912)	(59,182)	(8,268)	3,347	-	(110,015)
Treasury Gross Expenditure	(302,101)	1,770	(3,435)	(2,838)	4,189	(302,415)
	(700,274)	(75,570)	(69,489)	501	4,189	(840,643)
Other bodies						
Executive Government	(38,204)	(3)	64,628	3	-	26,424
Manx National Heritage	(3,933)	650	(666)	-	-	(3,949)
Road Transport Licensing Committee	(84)	-	(20)	-	-	(104)
Statutory Boards (Revenue Funded)	837	1	(1,600)	(19)	-	(781)
	(41,384)	648	62,342	(16)	-	21,590
Expenses of the Legislature	(3,853)	335	(853)	(17)	-	(4,388)
Net Voted Income/(Expenditure)	21,871	(74,587)	(8,000)	84,373	2,474	26,131
Statutory Boards (Non-Revenue Funded)						
Isle of Man Post Office	-	-	-	-	1,005	1,005
Manx Utilities Authority	-	-	-	-	26,807	26,807
	-	-	-	-	27,812	27,812
Owned Companies						
Laxey Glen Mills Limited	-	-	-	-	(26)	(26)
Radio Manx Limited	-	-	-	-	(924)	(924)
	-	-	-	-	(950)	(950)
Interest payable and similar charges	-	-	(86,000)	(1,885)	(21,289)	(109,174)
Interest and investment income	-	-	-	-	751	751
(Loss) on forward purchases	-	-	-	-	(10,716)	(10,716)
Unrealised loss on investments	-	-	-	(120,995)	-	(120,995)
Total Surplus/(Deficit)	21,871	(74,587)	(94,000)	(38,507)	(1,918)	(187,141)
Statement of Total Movement in General Revenue Account Balance						
Depreciation and impairment of fixed assets	-	97,220	-	-	-	97,220
Net loss on disposal of fixed assets	-	259	-	-	-	259
Net charges made for retirement benefits	-	-	94,000	-	26,862	120,862
Unrealised loss on investments	-	-	-	120,995	-	120,995
Other adjustments	-	-	-	361	-	361
Loan Charges for Capital Financing	-	36,822	-	-	-	36,822
Net Capital Expenditure charge in-year	-	(59,714)	-	-	-	(59,714)
Net transfer to earmarked reserves	-	-	-	(84,850)	1,918	(82,932)
Increase/(Decrease) in General Revenue Account	21,871	-	-	(2,001)	26,862	46,732

All results derive from continuing activities. The Notes on pages 30 to 83 form part of these Accounts.



Notes:

- i. Column B shows the amounts originally reported in the Detailed Government Accounts (GD 2016/0034) in July 2016, showing the Surplus of £21.871 million.
- ii. Column C shows the adjustments applied to Department expenditure in respect of fixed assets.
- iii. Column D shows the adjustments applied to Department expenditure in respect of pension costs.
- iv. Column E shows the adjustments applied to Department net expenditure in respect of other adjustments required to comply with Accounting Standard FRS102. The main adjustments are recognising total income from Government reserves and inclusion of certain amounts which will be repayable (debts) to Government.
- v. Column F shows the adjustments in respect of the additional bodies included with the audited Government Accounts and adjusts gross expenditure where one part of Government is paying another part of Government, to avoid double counting of income and expenditure.
- vi. Column G shows the adjusted amounts presented in the Group Income and Expenditure Account shown on page 23.
- vii. The adjustments shown in Columns C, D, E and F are reversed in the Statement of Total Movement on the General Revenue Account Balance on page 25 of the audited Government Accounts, to result in the 'Increase/(decrease) in General Revenue Account balance', the resultant deficit for the year of £187.1 million.


6.2 Income and Expenditure Account – Group

Income and Expenditure Account					
	<i>Note</i>	Group			
		2015-16			2014-15
		Gross Spend £000	Gross Income £000	Net (Spend)/ Income £000	Net (Spend)/ Income £000
Treasury Department					
Customs and Excise	7.3.1	-	350,253	350,253	321,927
Income Tax	7.3.2	-	201,955	201,955	201,775
Social Security	7.3.3	-	202,229	202,229	199,323
Other Treasury Income	7.3.4	-	8,911	8,911	9,639
Treasury Reserves Income	7.3.5	-	86,224	86,224	54,960
Sub-Total Treasury Income		-	849,572	849,572	787,624
Government Departments					
Cabinet Office	8.2	(27,896)	1,835	(26,061)	(25,954)
Economic Development	8.2	(34,951)	29,718	(5,233)	(3,463)
Education & Children	8.2	(118,078)	3,851	(114,227)	(119,391)
Environment, Food & Agriculture	8.2	(16,921)	3,040	(13,881)	(17,687)
Health & Social Care	8.2	(281,291)	50,849	(230,442)	(217,923)
Home Affairs	8.2	(39,343)	974	(38,369)	(33,390)
Infrastructure	8.2	(163,590)	53,575	(110,015)	(114,240)
Treasury Gross Expenditure		(302,911)	496	(302,415)	(303,585)
Sub-total Government Departments		(984,981)	144,338	(840,643)	(835,633)
Other Bodies					
Executive Government	8.2	(12,353)	38,777	26,424	17,398
Manx National Heritage	8.2	(4,802)	853	(3,949)	(4,300)
Road Transport Licensing Comm.	8.2	(151)	47	(104)	(98)
Statutory Boards (Revenue Funded)	8.2	(8,726)	7,945	(781)	132
Sub-total Other Bodies		(26,032)	47,622	21,590	13,132
Expenses of the Legislature		(4,456)	68	(4,388)	(5,179)
		(4,456)	68	(4,388)	(5,179)
Net Voted Income	7.4.2	(1,015,469)	1,041,600	26,131	(40,056)
Statutory Boards (Non-Revenue Funded)					
Isle of Man Post Office		-	1,005	1,005	405
Manx Utilities Authority		-	26,807	26,807	19,337
		-	27,812	27,812	19,742
Owned Companies					
Isle of Man Film Limited		(8)	8	-	-
Isle of Man Limited		-	-	-	-
Isle of Man National Transport Limited		-	-	-	-
Laxey Glen Mills Limited		(26)	-	(26)	(9)
Radio Manx Limited		(924)	-	(924)	(840)
		(958)	8	(950)	(849)
Surplus/(Deficit) before Interest		(1,016,427)	1,069,420	52,993	(21,163)
Interest payable and similar charges	7.7	(109,174)	-	(109,174)	(120,767)
Interest and investment income		-	751	751	1,456
Loss on forward purchases		-	(10,716)	(10,716)	(9,567)
Unrealised gain/(loss) on investments		-	(120,995)	(120,995)	58,086
Surplus/(Deficit) for the year	7.4.1	(1,125,601)	938,460	(187,141)	(91,955)

All results derive from continuing activities. The Notes on pages 30 to 83 form part of these Accounts.



6.3 Income and Expenditure Account – Central Government

INCOME AND EXPENDITURE ACCOUNT					
	Note	Central Government			
		2015-16			2014-15
		Gross Spend £000	Gross Income £000	Net (Spend)/ Income £000	Net (Spend)/ Income £000
Treasury Department					
Customs and Excise	7.3.1	-	350,253	350,253	321,927
Income Tax	7.3.2	-	201,955	201,955	201,775
Social Security	7.3.3	-	202,229	202,229	199,323
Other Treasury Income	7.3.4	-	10,626	10,626	11,639
Treasury Reserves Income	7.3.5	-	86,224	86,224	54,960
Total Treasury		-	851,287	851,287	789,624
Other Departments					
Cabinet Office	8.2	(27,896)	1,835	(26,061)	(25,954)
Economic Development	8.2	(34,951)	29,718	(5,233)	(3,463)
Education & Children	8.2	(118,078)	3,851	(114,227)	(119,391)
Environment, Food & Agriculture	8.2	(16,921)	3,040	(13,881)	(17,687)
Health & Social Care	8.2	(281,291)	50,849	(230,442)	(217,923)
Home Affairs	8.2	(39,343)	974	(38,369)	(33,390)
Infrastructure	8.2	(163,590)	53,575	(110,015)	(114,240)
Treasury Gross Expenditure	8.2	(307,100)	496	(306,604)	(308,974)
		(989,170)	144,338	(844,832)	(841,022)
Other bodies					
Executive Government	8.2	(12,353)	38,777	26,424	17,398
Manx National Heritage	8.2	(4,802)	853	(3,949)	(4,300)
Road Transport Licensing Committee	8.2	(151)	47	(104)	(98)
Statutory Boards (Revenue Funded)	8.2	(8,726)	7,945	(781)	132
		(26,032)	47,622	21,590	13,132
Expenses of the Legislature	8.2	(4,456)	68	(4,388)	(5,179)
Net Voted Income	7.4.2	(1,019,658)	1,043,315	23,657	(43,445)
Surplus before Interest		(1,019,658)	1,043,315	23,657	(43,445)
Interest payable and similar charges	7.7	(87,885)	-	(87,885)	(101,972)
Unrealised gain/(loss) on investments	7.14.5	(120,995)	-	(120,995)	58,086
(Deficit) for the year		(1,228,538)	1,043,315	(185,223)	(87,331)

All results derive from continuing activities. The Notes on pages 30 to 83 form part of these Accounts.



6.4 Statement of Total Movement on the General Revenue Account Balance

MOVEMENT ON THE GENERAL REVENUE ACCOUNT BALANCE					
	Note	Group		Central Government	
		2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
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	7.10.3/ 7.10.4	97,220	95,489	97,220	95,489
- Net (gain) or loss on disposal of fixed assets		259	(55)	259	(55)
- Net charges made for retirement benefits	7.24.8	94,000	110,000	94,000	110,000
- Unrealised (gain)/loss on investments	7.14.5	120,995	(58,086)	120,995	(58,086)
- Other adjustments		361	(2,438)	361	(2,438)
		312,835	144,910	312,835	144,910
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		36,822	36,357	36,822	36,357
- Net Capital Expenditure charge in-year to the General Revenue Adjustment Account		(59,714)	(46,419)	(59,714)	(46,419)
		(22,892)	(10,062)	(22,892)	(10,062)
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 reserves		(82,932)	(38,657)	(84,850)	(43,281)
		(82,932)	(38,657)	(84,850)	(43,281)
Net additional amount required to be credited to the General Revenue Account balance		207,011	96,191	205,093	91,567
(Deficit) for the year on the Income and Expenditure Account	6.2,6.3	(187,141)	(91,955)	(185,223)	(87,331)
Increase in General Revenue Account balance for the year		19,870	4,236	19,870	4,236
- General Revenue Account balance brought forward		45,517	41,281	45,517	41,281
General Revenue Account balance carried forward		65,387	45,517	65,387	45,517

The Notes on pages 30 to 83 form part of these Accounts.



6.5 Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME					
	<i>Note</i>	Group		Central Government	
		2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Income and Expenditure Account – deficit for the year	6.4	(187,141)	(91,955)	(185,223)	(87,331)
Other Comprehensive Income:					
- Surplus on revaluation of fixed assets	7.10	48,041	93,393	48,046	93,026
- Re-measurement of net defined benefit obligation	7.24.7	114,160	(583,674)	112,000	(581,000)
Total other comprehensive income/(loss) for the year		162,201	(490,281)	160,046	(487,974)
Total comprehensive income/(loss) for the year		(24,940)	(582,236)	(25,177)	(575,305)

The Notes on pages 30 to 83 form part of these Accounts.

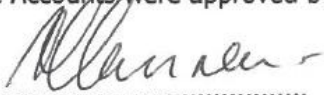


6.6 Balance Sheet

BALANCE SHEET					
	Note	Group		Central Government	
		2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Long Term Assets					
Fixed Assets	7.10	2,759,966	2,781,992	2,254,297	2,274,440
Long Term Investments	7.14.1	934,945	1,205,737	934,945	1,205,737
Long Term Debtors	7.16.1	26,005	23,098	550,416	543,681
		3,720,916	4,010,827	3,739,658	4,023,858
Current Assets					
Stocks and Work in Progress	7.17	11,720	10,996	4,675	4,303
Debtors and Prepayments	7.16.2	87,585	78,138	70,924	70,830
Short Term Deposits		262,029	257,098	260,529	237,974
Investments		-	15,337	-	-
Cash at Bank and in Hand	7.18	487,529	293,161	456,015	246,366
		848,863	654,730	792,143	559,473
Current Liabilities					
Creditors	7.19.1	(60,669)	(60,310)	(42,525)	(42,002)
Finance Debt	7.19.1	(14,302)	(9,782)	(1,613)	(1,520)
Loans Payable		(74)	(130)	-	-
Bank Overdrafts and Loans Payable	7.18	(21,647)	(20,877)	(21,512)	(20,801)
		(96,692)	(91,099)	(65,650)	(64,323)
Net Current Assets		752,171	563,631	726,493	495,150
Long Term Liabilities					
Loans Payable	7.21.2	(262,837)	(262,775)	(260,000)	(260,000)
Pension Scheme Liability	7.24.3	(2,995,176)	(3,014,245)	(2,991,000)	(3,009,000)
Finance Debt	7.19.2	(61,173)	(64,350)	(29,169)	(30,781)
Other Creditors	7.19.2	(12,425)	(13,674)	-	-
		(3,331,611)	(3,355,044)	(3,280,169)	(3,299,781)
Total Net Assets		1,141,476	1,219,414	1,185,982	1,219,227
Represented by					
Net General Revenue Account	6.4	65,387	45,517	65,387	45,517
General Revenue Adjustments Account	7.23.2	(395,014)	(396,833)	(396,948)	(398,754)
Hospital Estates Development Fund	7.14.5 i	40,746	43,451	40,746	43,451
Manx Currency Account	7.14.5 i	82,087	80,629	82,087	80,629
Media Development Fund	7.14.5 i	24,944	34,096	24,944	34,096
National Insurance Fund	7.14.5 ii	745,361	774,519	745,361	774,519
Public Service Employees Pension Reserve	7.14.5 i	191,575	226,423	191,575	226,423
Reserve Fund	7.14.5 i	331,046	342,068	331,046	342,068
MUA Bond Repayment Fund	7.14.5 i	47,179	-	47,179	-
Internal Funds and Reserves	7.23.5	8,165	69,544	54,605	71,278
		1,141,476	1,219,414	1,185,982	1,219,227

The Notes on pages 30 to 83 form part of these Accounts.

These Accounts were approved by the Treasury on 19 October 2016 and signed on its behalf by:



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



S Lowe, Chief Financial Officer



6.7 Cash Flow Statement

CASH FLOW STATEMENT				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Net Cash Inflow / (Outflow) from Operating Activities	58,155	18,912	21,005	(8,876)
Cash flow from Investing Activities				
Interest received	8,656	1,582	22,429	14,284
Investment income	86,047	55,577	86,047	55,577
Net purchases of investments	124,721	7,567	153,970	8,524
Payments to acquire tangible fixed assets	(64,475)	(46,084)	(45,441)	(31,892)
Proceeds from disposal of tangible fixed assets	4,637	10,715	2,926	10,620
Repayments	4,800	(3,349)	4,722	(3,503)
Deferred income received - customers' contributions	507	747	-	-
Net cash generated from investing activities	164,893	26,755	224,653	53,610
Cash flow from Financing Activities				
Repayment of loan	(11,820)	(7,978)	-	-
New loan finance arranged	12,544	13,971	-	-
Repayment of lease finance	(1,983)	(1,957)	1,517	1,432
Interest paid	(21,559)	(17,290)	(14,163)	(14,163)
Net cash used in financing activities	(22,818)	(13,254)	(12,646)	(12,731)
Net increase in cash & cash equivalents	200,230	32,413	233,012	32,003
Cash and cash equivalents at the beginning of the year	767,563	735,233	171,238	139,235
Exchange gains/(losses) on cash and cash equivalents	137	(83)	-	-
Cash and cash equivalents at the end of the year	967,930	767,563	404,250	171,238
Cash and cash equivalents comprises:				
Cash	487,529	293,161	456,015	246,366
Short term deposits (maturity of 3 months or less)	262,029	257,098	260,529	237,974
Bank Overdrafts and Loans Payable	218,372	217,304	(312,294)	(313,102)
Total	967,930	767,563	404,250	171,238

The Notes on pages 30 to 83 form part of these Accounts.



6.8 Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY						
	<i>Note</i>	Net General Revenue Account £000	General Revenue Adjustments Account £000	External Funds £000	Internal Funds and Reserves £000	Total Equity £000
2013/14						
Balance at 31 March 2014		41,281	286,630	1,454,175	88,569	1,870,655
Transitional entries on adoption of FRS102						
Employee Leave Accrual		-	(1,748)	-	-	(1,748)
Derivatives		-	-	-	(3,422)	(3,422)
Re-measurement of net defined benefit obligation		-	-	-	(96)	(96)
Balance at 31 March 2014 (Restated)		41,281	284,882	1,454,175	85,051	1,865,389
2014/15						
Surplus/(Deficit) for the year	6.5	(6,265)	(194,054)	107,060	1,304	(91,955)
Other Comprehensive Income	6.5	-	(487,974)	-	(2,307)	(490,281)
Total Comprehensive Income	6.5	(6,265)	(682,028)	107,060	(1,003)	(582,236)
Transfers		10,501	313	(60,049)	(14,504)	(63,739)
Total adjustment during the year		4,236	(681,715)	47,011	(15,507)	(645,975)
Balance at 31 March 2015	6.6	45,517	(396,833)	1,501,186	69,544	1,219,414
2015/16						
Surplus/(Deficit) for the year	6.5	21,871	(170,069)	(42,100)	3,157	(187,141)
Other Comprehensive Income	6.5	-	160,046	-	2,155	162,201
Total Comprehensive Income	6.5	21,871	(10,023)	(42,100)	5,317	(24,940)
Transfers		(2,001)	11,842	3,852	(66,691)	(52,998)
Total adjustment during the year		19,870	1,819	(38,248)	(61,379)	(77,938)
Balance at 31 March 2016	6.6	65,387	(395,014)	1,462,938	8,165	1,141,476

The Notes on pages 30 to 83 form part of these Accounts.



7 Notes to the Statement of Accounts

7.1 Accounting Policies

7.1.1 Basis of Preparation

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

The Accounts have been drawn up in accordance with the 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, unless superseded by United Kingdom Accounting Standards.

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

The principal accounting policies applied in presentation of these Statement of Accounts are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in Note 7.30.

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

7.1.2 Revenue Recognition

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

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

7.1.3 Interest Income

Interest income is recognised using the effective interest rate method.

7.1.4 Borrowing costs

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

7.1.5 Tangible Fixed Assets

Recognition

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



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

Depreciation

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

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

	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

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

Revaluation

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

Subsequent Additions and Major Components

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

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



Assets in the Course of Construction

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

Impairment

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

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

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

Disposals

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

7.1.6 Heritage Assets

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

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

7.1.7 Intangible Fixed Assets

Recognition

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

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



The following estimated useful lives are applied:

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

Amortisation is charged to the Income and Expenditure Account.

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

Impairment

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

7.1.8 Leases

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

Finance Leases

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

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

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

Operating Leases

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

7.1.9 Financial Instruments

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

Financial Assets

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



Financial Assets (continued)

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

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

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

Financial Liabilities

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

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

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

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

Offsetting

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

7.1.10 Deferred Income

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

7.1.11 Value Added Tax

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



7.1.12 Stocks and Work in Progress

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

At the end of each reporting period inventories are assessed for impairment. A provision is made against slow-moving, obsolete, surplus, deteriorated and unusable stocks at the end of the reporting period. Where a reversal of the provision is required the charge is reversed up to the original provision, and is recognised as a credit in the Income and Expenditure Account.

7.1.13 Cash and Cash equivalents

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

7.1.14 Foreign Currency

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

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

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

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

7.1.15 Short Term Benefits

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

7.1.16 Pension Costs

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

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

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

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



7.1.16 Pension Costs (continued)

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

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

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

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

7.1.17 Reserves

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

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

7.1.18 Provisions and Contingencies

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

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

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

7.1.19 Exceptional Items, Extraordinary Items and Prior Year Adjustments

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

As a result of the changes to FRS102, some internal restructuring within Government and other presentational changes, the 2014/15 accounts have been restated. A reconciliation of the adjustments is included at Notes 7.30 and 7.31.



7.1.20 Events after the Balance Sheet date

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

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

7.1.21 Basis of Consolidation

Central Government Accounts

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

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

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

7.2.1 Valuation and useful economic lives of tangible assets

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

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

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

7.2.2 Defined benefit pension scheme

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

7.2.3 Provisions

Provision is made for asset retirement obligations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and discount rates used to establish net present value of the obligations require management's judgement. See note 7.19.



7.3 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:

7.3.1 Customs and Excise

CUSTOMS AND EXCISE INCOME				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Shared Revenue				
Value Added Tax	311,804	280,448	311,804	280,448
Excise Duty	31,221	31,258	31,221	31,258
Customs Duty	-	2	-	2
Cost of Collection Adjustment	(785)	-	(785)	-
Non-Shared Revenue				
Gambling Duty	4,477	5,242	4,477	5,242
Air Passenger Duty	4,636	4,432	4,636	4,432
Lottery Duty	(1,512)	-	(1,512)	-
Non-Revenue Receipts	412	545	412	545
Total	350,253	321,927	350,253	321,927

Notes:

- Income reported in the Detailed Government Accounts was £355.0 million. The difference between those figures and these above arises from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Customs income.



7.3.2 Income Tax

INCOME TAX				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Resident Tax	51,213	51,048	51,213	51,048
Company Tax	14,135	18,713	14,135	18,713
Non Resident Tax	6,789	6,431	6,789	6,431
Income Tax Instalment Payments (ITIP)	127,077	122,816	127,077	122,816
Sub-Contractors	2,729	2,735	2,729	2,735
EU Savings Directive	9	17	9	17
Other	3	15	3	15
Total	201,955	201,775	201,955	201,775

Notes:

- Income reported in the Detailed Government Accounts was £199.5 million. The difference between those figures and these above arises from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Income Tax income.

7.3.3 Social Security Income

SOCIAL SECURITY INCOME				
INCOME	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
National Insurance Fund				
Contributions - Class 1	(172,875)	(169,487)	(172,875)	(169,487)
Contributions - Class 2	(1,172)	(765)	(1,172)	(765)
Contributions - Class 3	(121)	(156)	(121)	(156)
Contributions - Class 4	(4,115)	(4,205)	(4,115)	(4,205)
Less: allocated to Manx NHS	36,453	36,453	36,453	36,453
Contributions Equivalent Premium	(94)	(3)	(94)	(3)
Agency Settlement With UK DHSS	(46,789)	(41,184)	(46,789)	(41,184)
Class 1 National Insurance Refunds	253	269	253	269
Class 2 National Insurance Refunds	34	18	34	18
Class 3 National Insurance Refunds	8	17	8	17
Class 4 National Insurance Refunds	261	290	261	290
Property Rents	(72)	(70)	(72)	(70)
Transfers (from)/to NIIA*	(14,000)	(20,500)	(14,000)	(20,500)
Total	(202,229)	(199,323)	(202,229)	(199,323)

* National Insurance Investment Account

Notes:

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



7.3.4 Other Treasury Income

OTHER TREASURY INCOME				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Contribution from IOM PO	285	-	2,000	2,000
Fines and Fixed Penalties	594	913	594	913
Interest on Investments:				
- Manx Currency Account	459	57	459	57
- Reserve Fund	6,380	6,669	6,380	6,669
- Interest Allocation	369	441	369	441
Miscellaneous income	824	1,559	824	1,559
Total	8,911	9,639	10,626	11,639

Notes:

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

7.3.5 Treasury Reserves Income

TREASURY RESERVES INCOME				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
External Funds				
- Investment Income	28,466	29,444	28,466	29,444
- Investment Income - Reverse KSF Provision	-	112	-	112
sub-total Investment Income	28,466	29,556	28,466	29,556
- Net Profit on Sale of Investments	61,753	26,202	61,753	26,202
<i>Less income already transferred to Other Treasury Income (above):</i>				
- Manx Currency Account	(459)	(57)	(459)	(57)
- Reserve Fund	(6,380)	(6,669)	(6,380)	(6,669)
Internal Funds				
- Investment Income	305	342	305	342
- Sales of Properties (Housing Res. Fund)	2,319	4,290	2,319	4,290
- Other Receipts (Seized Asset Fund)	220	1,296	220	1,296
Total	86,224	54,960	86,224	54,960

Notes:

- Treasury Reserves Income relates to receipts, income and realised investment income in respect of Treasury's external and internal reserve funds. This income does not form part of the Government Net General Revenue Account and is transferred to the reserve funds to which it relates in the Statement of Total Movement on the General Revenue Account Balance.
- The 2014/15 figure has been adjusted by the £57k income within the Manx Currency Account.
- The impairment charge in respect of amounts advanced to the Depositors' Compensation Scheme for Kaupthing Singer & Friedlander (Isle of Man) Limited (KSF) which was applied against Treasury Reserves Income has now been reversed.



7.4 Deficit for the Year

7.4.1 Deficit for the Year

The deficit on the Income and Expenditure Account for the year is arrived at after charging:

DEFICIT FOR THE YEAR IS ARRIVED AT AFTER CHARGING:					
	Note	Group		Central Government	
		2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Auditors' remuneration	7.9	145	138	99	95
Depreciation	7.10.2	117,792	117,056	96,872	95,240
Amortisation	7.10.4	348	249	348	249
Pension costs	7.24.6	162,998	169,575	161,000	168,000
Gain/(loss) on disposal of fixed assets		1,445	209	(259)	55
Rentals payable under leases		7,522	8,330	3,634	4,484

Notes:

- Auditors' remuneration excludes amounts paid in respect of Depositors' Compensation Schemes and other entities outside the scope of the group consolidation.
- As a result of the move to FRS102 the following figures for 2014/15 have been adjusted: Pension costs and Rentals payable under finance leases.

7.4.2 Department Expenditure

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

RECONCILIATION OF DEPARTMENTAL EXPENDITURE					
	Note	Group		Central Government	
		2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Total Revenue Expenditure, per Section 8		(745,511)	(739,934)	(745,511)	(739,934)
<u>Accounting Standards Adjustments</u>					
Fixed Assets Adjustments		(74,587)	(85,372)	(74,587)	(85,372)
Pension Adjustments		(8,000)	(10,000)	(8,000)	(10,000)
Other		468	2,237	468	2,237
<u>Consolidation Adjustments</u>					
Treasury - Grant to MUA		3,314	4,539	-	-
Treasury - Manx Radio Subvention		875	850	-	-
Net Voted Expenditure		(823,441)	(827,680)	(827,630)	(833,069)
Treasury Income	6.2	849,572	787,624	851,287	789,624
Net Voted Income		26,131	(40,056)	23,657	(43,445)

Notes:

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



7.5 Staff Remuneration

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

STAFF REMUNERATION				
Remuneration Band	Group		Central Government	
	2015-16	2014-15	2015-16	2014-15
£325,000 to £349,999	-	-	-	-
£300,000 to £324,999	1	1	1	1
£275,000 to £299,999	2	1	2	1
£250,000 to £274,999	2	2	2	2
£225,000 to £249,999	6	4	6	4
£200,000 to £224,999	7	14	7	14
£175,000 to £199,999	16	22	16	22
£150,000 to £174,999	21	18	21	18
£125,000 to £149,999	24	26	23	25
£100,000 to £124,999	46	42	44	40
£75,000 to £99,999	139	128	130	120
£50,000 to £74,999	699	637	633	577

Notes:

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

7.6 Key Management Compensation

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

KEY MANAGEMENT COMPENSATION				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Total Compensation Paid/Payable	4,131	4,276	2,991	3,141

Notes:

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



7.7 Interest Payable and Similar Charges

INTEREST PAYABLE AND SIMILAR CHARGES				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Isle of Man Treasury Bond 2034	(9,943)	(9,944)	-	-
Isle of Man Treasury Bond 2030	(4,219)	(4,219)	-	-
Consolidated Loans Fund	(2,593)	-	-	-
Local Authority loan interest	(203)	(187)	-	-
Lease finance	(4,841)	(4,866)	(1,885)	(1,972)
Other finance charges	(49)	(45)	-	-
Rates discounts allowed	(856)	(838)	-	-
Unrealised gain/(loss) on currency balances	137	(83)	-	-
Amortisation of bond issue expenses	(454)	(453)	-	-
Net interest expense on post-employment benefits	(86,153)	(100,132)	(86,000)	(100,000)
Total	(109,174)	(120,767)	(87,885)	(101,972)

7.8 Financial Commitments

7.8.1 Operating Leases

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

OPERATING LEASES - PAYABLE				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Within one year	6,957	4,986	2,149	88
Between one and five years	24,624	20,576	5,319	1,273
After five years	11,596	15,271	2,000	877
Total	43,177	40,833	9,468	2,238

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

OPERATING LEASES - RECEIVABLE				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Within one year	5,779	4,872	4,554	3,647
Between one and five years	11,887	11,053	6,987	6,153
After five years	61,916	54,425	25,166	16,450
Total	79,582	70,350	36,707	26,250



7.9 External Audit Fees

EXTERNAL AUDIT FEES				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Fees payable with regard to external audit services carried out by the appointed auditors	145	138	99	95
Fees payable with regard to other services carried out by the appointed auditors	206	204	204	204
	351	342	303	299

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

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

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



7.10 Fixed Assets

7.10.1 Summary of Fixed Assets

SUMMARY OF FIXED ASSETS - NET BOOK VALUE				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Tangible Fixed Assets	2,759,312	2,781,335	2,253,643	2,273,783
Intangible Fixed Assets	654	657	654	657
Total	2,759,966	2,781,992	2,254,297	2,274,440

7.10.2 Valuations

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

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

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

The freehold land and buildings have been categorised into Departments and will be revalued on a 3-5 year cycle. Revaluations commenced in 2013/14 and the current cycle is as follows:

- 2015/16 – Departments of Infrastructure and Home Affairs
- 2016/17 – Departments of Economic Development, Environment, Food and Agriculture, and the Manx Museum and National Trust
- 2017/18 – Department of Health and Social Care and the Department of Education



7.10.3 Tangible Fixed Assets – Group

TANGIBLE FIXED ASSETS					
	Group				
	Freehold Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure assets £000	Assets Under Course of Construction £000	Total £000
As at 31 March 2015					
Cost or Valuation	1,337,887	438,413	1,851,970	17,748	3,646,018
Accumulated Depreciation	(209,125)	(255,885)	(399,673)	-	(864,683)
Net Book Value	1,128,762	182,528	1,452,297	17,748	2,781,335
Year end 31 March 2016					
Opening Net Book Value	1,128,762	182,528	1,452,297	17,748	2,781,335
Additions	2,210	13,065	8,670	25,432	49,377
Disposals	(1,617)	(32)	-	-	(1,649)
Transfers	17,009	13,569	(9,469)	(21,109)	-
Depreciation	(42,584)	(21,580)	(53,628)	-	(117,792)
Revaluations	48,041	-	-	-	48,041
Impairment	-	-	-	-	-
Closing Net Book Value	1,151,821	187,550	1,397,870	22,071	2,759,312
As at 31 March 2016					
Cost	1,410,565	463,930	1,851,171	22,071	3,741,787
Accumulated Depreciation	(258,744)	(276,380)	(453,301)	-	(982,475)
Closing Net Book Value	1,151,821	187,550	1,397,870	22,071	2,759,312

Included within tangible fixed assets at 31 March 2016 is freehold land amounting to £60.3 million (2015: £59.0 million) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £64.5 million (2015: £67.7 million). Depreciation of £3.2 million (2015: £2.8 million) was charged in the year on these assets.

As at 31 March 2016, the carrying amount that would have been recognised under the cost model is:

CARRYING AMOUNT RECOGNISED UNDER THE COST MODEL		
	Group	
	2015-16 £000	2014-15 £000
Freehold Land and Buildings	942,401	961,884
Vehicles, Plant and Equipment	179,560	179,856
Infrastructure Assets	1,424,541	1,479,291
Assets Under Course of Construction	22,071	17,748
TOTAL	2,568,573	2,638,779



7.10.4 Tangible Fixed Assets – Central Government

TANGIBLE FIXED ASSETS					
	Central Government				
	Freehold Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure assets £000	Assets Under Course of Construction £000	Total £000
As at 31 March 2015					
Cost / Valuation	1,268,563	182,078	1,387,570	17,289	2,855,500
Accumulated Depreciation	(186,619)	(126,516)	(268,582)	-	(581,717)
Net Book Value	1,081,944	55,562	1,118,988	17,289	2,273,783
Year end 31 March 2016					
Opening Net Book Value	1,081,944	55,562	1,118,988	17,289	2,273,783
Additions	2,025	2,870	-	25,432	30,327
Disposals	(1,617)	(24)	-	-	(1,641)
Transfers	17,009	1,433	2,344	(20,786)	-
Depreciation	(41,017)	(11,677)	(44,178)	-	(96,872)
Revaluations	48,046	-	-	-	48,046
Impairment	-	-	-	-	-
Closing Net Book Value	1,106,390	48,164	1,077,154	21,935	2,253,643
As at 31 March 2016					
Cost	1,341,061	185,686	1,389,914	21,935	2,938,596
Accumulated Depreciation	(234,671)	(137,522)	(312,760)	-	(684,953)
Net Book Value	1,106,390	48,164	1,077,154	21,935	2,253,643

Included within tangible fixed assets at 31 March 2016 is freehold land amounting to £53.0 million (2014-15: £53.1 million) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £17.7 million (2014-15: £19.9 million). Depreciation of £2.2 million (2015: £1.8 million) was charged in the year on these assets.

As at 31 March 2016, the carrying amount that would have been recognised under the cost model is:

CARRYING AMOUNT RECOGNISED UNDER THE COST MODEL		
	Central Government	
	2015-16 £000	2014-15 £000
Freehold Land and Buildings	902,245	920,527
Vehicles, Plant and Equipment	40,174	52,890
Infrastructure Assets	1,103,689	1,145,523
Assets Under Course of Construction	21,935	17,289
TOTAL	2,068,043	2,136,229

**7.10.5 Intangible fixed assets**

INTANGIBLE FIXED ASSETS		
	Group	Central Government
	Intangible Assets £000	Intangible Assets £000
As at 31 March 2015		
Cost or Valuation	1,166	1,166
Accumulated Depreciation	(509)	(509)
Net Book Value	657	657
Year end 31 March 2016		
Opening Net Book Value	657	657
Additions	345	345
Amortisation	(348)	(348)
Closing Net Book Value	654	654
As at 31 March 2016		
Cost	1,511	1,511
Accumulated Depreciation	(857)	(857)
Closing Net Book Value	654	654

Intangible fixed assets mainly consist of purchased software packages.



7.11 Heritage Assets

7.11.1 Heritage Assets - Central Government

Nature and scale of assets held by Government

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

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

Heritage Assets currently include:

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

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

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

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

The Trust is supported by the Isle of Man Government who provide funding for core activities and some capital projects. Monies from the UK Lottery are also allocated to ensure preservation and maintenance.

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

Accounting treatment of Heritage Assets

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

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



7.11.2 Heritage Assets – Group

The Isle of Man Post Office owns a number of heritage assets that are not included in the balance sheet position at 31 March 2016. The assets comprise:

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

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

7.12 Capital Commitments

The estimated commitments for capital expenditure that had started, or legal contracts entered into, as at 31 March 2016 are set out below. This amount predominantly relates to capital schemes approved by Tynwald which were in the course of construction at the year end.

Further details of approved Capital Schemes are set out in the Isle of Man Budget 2016-17 (GD 2016/01).

CAPITAL COMMITMENTS				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Central Government	8,932	11,708	8,932	11,708
Manx Utilities Authority	12,500	10,288	-	-
Total	21,432	21,996	8,932	11,708



7.13 Financial instruments

The Group has the following financial instruments:

FINANCIAL INSTRUMENTS					
	<i>Note</i>	Group		Central Government	
		2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Financial assets at fair value through profit or loss:					
- Long term investments	7.14.1	934,945	1,205,737	934,945	1,205,737
Financial assets that are debt instruments measured at amortised cost:					
- Loans receivable	7.16.1	27,167	24,042	558,027	554,953
- Trade debtors	7.16.2	32,583	26,966	12,191	11,567
- Other debtors	7.16.2	53,576	49,767	51,122	47,991
- Short term deposits		262,029	257,098	260,529	237,974
- Cash at bank	7.18	487,529	293,161	456,015	246,366
		862,884	651,034	1,337,884	1,098,851
Total Assets		1,797,829	1,856,771	2,272,829	2,304,588
Financial liabilities at fair value through profit or loss:					
- Derivative financial instruments	7.22.2	12,514	8,451	-	-
Financial liabilities measured at amortised cost:					
- Loans payable	7.21.2	284,484	283,652	281,512	280,801
- Trade creditors	7.19.1	15,824	23,050	7,716	9,796
- Accruals	7.19.1	36,511	29,097	26,978	23,912
- Other creditors	7.19.1	8,334	8,163	7,831	8,294
- Financial leases	7.22	62,961	65,681	30,782	32,301
- Retirement benefit obligation	7.24.3	2,995,176	3,014,245	2,991,000	3,009,000
		3,403,290	3,423,888	3,345,819	3,364,104
Total Liabilities		3,415,804	3,432,339	3,345,819	3,364,104

Derivative financial instruments – Forward contracts

- The Manx Utilities Authority has 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. The contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward market price at the balance sheet date and the quantity of gas purchased.
- Additionally, the Manx Utilities Authority enters into forward contracts to purchase Euros in order to protect against foreign currency exchange volatility on charges paid in respect of the Gas Interconnector and the Spur Pipeline, which are invoiced in Euros. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for Sterling to Euros.
- Accordingly a liability of £8.5 million was recognised on 31 March 2015, and a liability of £12.5 million was recognised on 31 March 2016.



7.14 Long Term Investments

7.14.1 Investments

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

INVESTMENT VALUE BY ASSET CLASS				
	Market Value 31 March 2016 £000	Book Value 31 March 2016 £000	Market Value 31 March 2015 £000	Book Value 31 March 2015 £000
Property	725	408	725	408
Investment in Films	10,890	10,890	20,707	20,707
United Kingdom Fixed Interest	261,039	245,953	235,275	216,898
United Kingdom Equities	354,532	357,206	373,889	316,817
Overseas Fixed Interest	8,759	8,643	116,740	103,104
Overseas Equities	273,645	240,838	366,683	300,457
Other Investments	25,355	24,923	91,718	84,440
TOTAL	934,945	888,861	1,205,737	1,042,831

7.14.2 Balances on Externally Managed Funds

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

BALANCES ON EXTERNALLY MANAGED FUNDS				
	Market Value 31 March 2016 £000	Book Value 31 March 2016 £000	Market Value 31 March 2015 £000	Book Value 31 March 2015 £000
Long Term Investments	934,945	888,861	1,205,737	1,042,831
Cash & Cash Instruments	449,811	449,799	240,142	235,961
Cash funds held by Treasury	74,077	74,077	56,043	56,041
TOTAL	1,458,833	1,412,737	1,501,922	1,334,833

Notes

- i. The majority of funds are valued through listed holdings on the open market.
- ii. However a small number of holdings within the Reserve Fund (11; 2015: 11) totalling £2.6 million (2015: £2.9 million) are considered highly illiquid and are held in a 'Care & Maintenance Account'. The holdings consist of investments in collective investment schemes, hedge funds and equities. The collective investment schemes and hedge funds have been closed for several years and are currently in administration, with a low probability of future redemptions. One of the equity holdings is in liquidation and only one holding remains which can be traded, albeit on an extremely discounted basis. The holdings were previously managed by companies who are no longer one of Treasury's appointed discretionary investment managers. It was considered prudent to create a separate account to accommodate these stocks and also nullify any drag on investment performance if the holdings were included in the main external Reserve Fund.
- iii. The Media Development Fund is held not traded on an open market and is valued by an industry expert, being £24.9 million at 31 March 2016 (2015: £34.1 million).



7.14.3 Financial Risk

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

1. Investments

Investment Manager Risk

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

In order to mitigate risk and achieve satisfactory diversification, several investment managers are appointed (2015-16: 6) and the portfolio is spread amongst them, as this limits the risk exposure with any single investment manager.

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

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

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

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

Market Risk

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



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



Market Risk (Continued)

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

2. Credit Risk

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

Cash

Treasury considers cash management guidelines at least once per year. The guidelines in place for 2015-16 were approved by Treasury in June 2015. The limits applying to institutions under the current guidelines are based on the short term credit rating awarded to the local institution’s parent by the Fitch credit rating agency. The short term Fitch rating has been used as the primary basis for determining the amount to be placed with an institution under the cash guidelines for over 13 years. The guidelines are as follows:

- a. The overall total of deposits placed with an F1+ and F1 rated bank (with G-SIFI¹ status) not to exceed 30% of the Treasury’s total sterling on deposit;
- b. The overall total of deposits placed with an F1 rated bank (without G-SIFI status) not to exceed 20% of the Treasury’s total sterling on deposit;
- c. F1 rated bank (without G-SIFI status) maximum duration is 12 months with a restriction of a maximum deposit limit of £20m for deposits held for greater than three months;
- d. The following limits to apply to the placing of all new sterling funds with any one institution

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

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

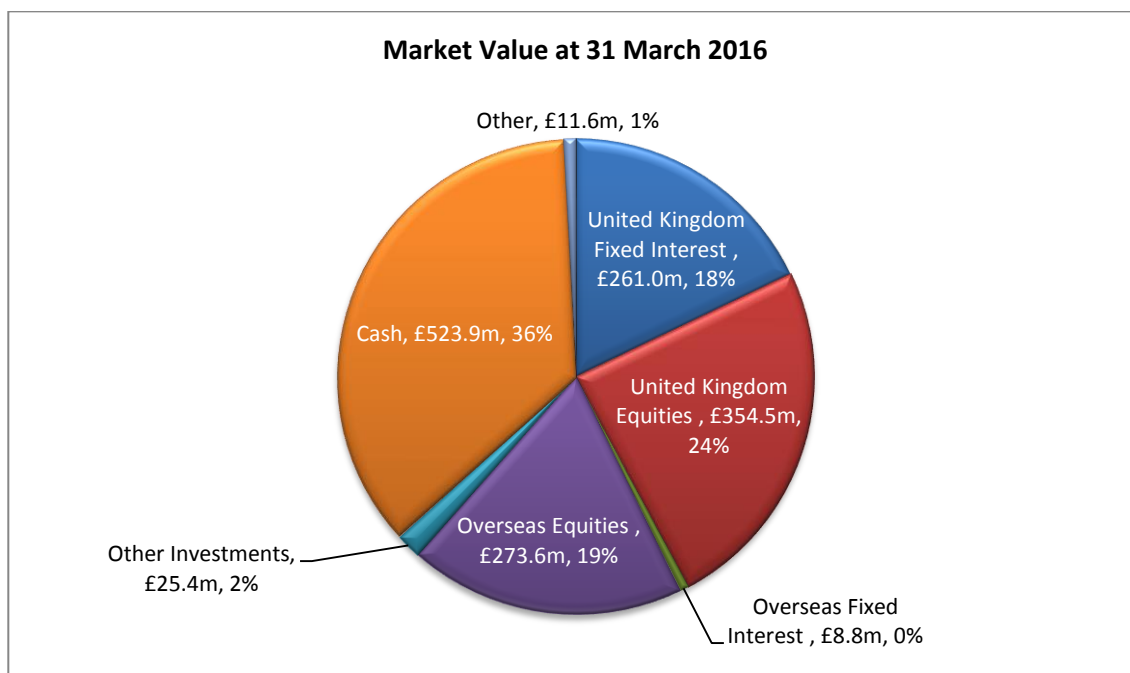
At 31 March 2016 Government held £775 million in cash and on short term deposit (31 March 2015: £544.7 million).

¹ Global Systematically Important Financial Institutions

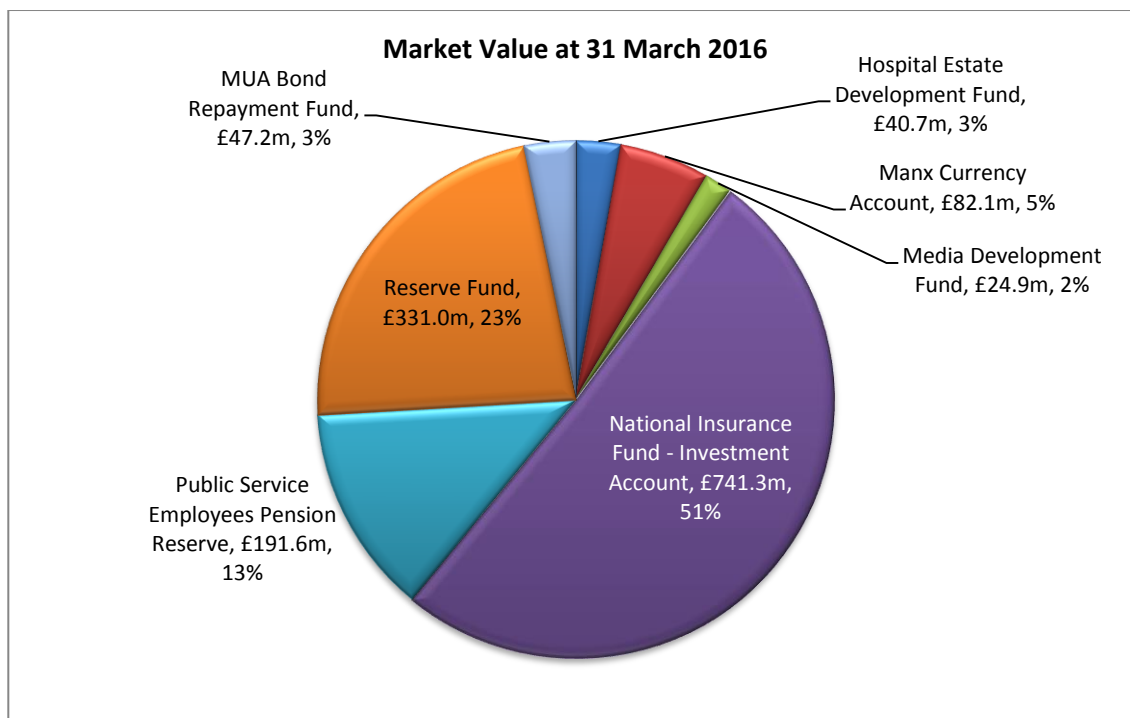


7.14.4 Market Value of Externally Managed Funds

The total market value of externally managed fund assets held at 31 March 2016 can be shown by asset type as follows:



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





7.14.5 Movements on Externally Managed Funds

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

MOVEMENT ON EXTERNALLY MANAGED FUNDS							
Invested Fund	Balances Brought Forward 1 April 2015 £000	Income			Unrealised gain/(loss) on Investments £000	Expenditure Expenses, Transfers to Internal Accounts £000	Balances Carried Forward 31 March 2016 £000
		Contributions Seizures & Other £000	Investment Income £000	Net Profit/(loss) on Sale of Investments £000			
Hospital Estate Development Fund	43,451	-	856	172	(522)	3,211	40,746
Manx Currency Account	80,629	1,750	1,002	137	(378)	1,053	82,087
Media Development Fund	34,096	33	9	(8,820)	-	374	24,944
National Insurance Fund - Investment Account	775,255	-	14,236	42,661	(75,251)	15,645	741,256
Public Service Employees Pension Reserve	226,423	-	4,435	13,310	(21,538)	31,055	191,575
Reserve Fund	342,068	-	7,300	14,198	(25,548)	6,972	331,046
MUA Bond Repayment Fund	-	44,260	628	95	2,242	46	47,179
Total	1,501,922	46,043	28,466	61,753	(120,995)	58,356	1,458,833

Notes:

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

FUND VALUES				
	Market Value 31 March 2016 £000	Book Value 31 March 2016 £000	Market Value 31 March 2015 £000	Book Value 31 March 2015 £000
Hospital Estate Development Fund	40,746	40,245	43,451	42,427
Manx Currency Account	82,087	81,517	80,629	79,683
Media Development Fund	24,944	24,944	34,096	34,096
National Insurance Fund - Investment a/c	741,256	723,282	775,255	682,030
Public Service Employees Pension Reserve	191,575	187,621	226,423	200,931
Reserve Fund	331,046	310,191	342,068	295,666
MUA Bond Repayment Fund	47,179	44,937	-	-
TOTAL	1,458,833	1,412,737	1,501,922	1,334,833



- 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:

NATIONAL INSURANCE FUND		
	31 March 2016 £000	31 March 2015 £000
Operating Account	4,105	(736)
Investment Account	741,256	775,255
Total	745,361	774,519

- iii. The face value of the Manx Currency in circulation at 31 March 2016 was £77.9 million (2015: £76.3 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 £3.6 million (2015: £3.4 million).



7.15 Government Owned Companies

7.15.1 Central Government

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

GOVERNMENT OWNED COMPANIES			
Company	Principal activity	Country of Incorporation	Proportion of voting rights and shares held
Isle of Man Film Ltd	Film investment	Isle of Man	100%
Isle of Man Film (DOI) Ltd	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.



7.15.2 Group Accounts

Manx Utilities Authority

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:

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

Isle of Man Post Office

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

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

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



7.16 Debtors and prepayments

7.16.1 Long Term Debtors

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

LONG TERM DEBTORS				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Loan Schemes				
Agricultural Holdings Scheme 1978	206	263	206	263
Agricultural Holdings Scheme 2000	580	612	580	612
Agricultural Credits Acts 1924-66	28	34	28	34
Fishing Industry	99	156	99	156
Building By Private Enterprise Schemes 1968/74	1	1	1	1
House Purchase Assistance Schemes	23,232	19,670	23,232	19,670
House Purchase Schemes	50	64	50	64
House Purchase & Refurbishment Scheme 1991	843	1,011	843	1,011
Royal British Legion Housing Association	338	338	338	338
Local Authorities	1,790	1,893	1,790	1,893
	27,167	24,042	27,167	24,042
Loans to Statutory Boards				
Manx Utilities Authority	-	-	530,740	530,751
e-Ilan Loan (MUA)	-	-	120	160
Total Loans Outstanding	27,166	24,042	558,027	554,953
Less: Amounts Due within 12 months	(1,162)	(944)	(7,611)	(11,272)
Total Due After 12 Months	26,005	23,098	550,416	543,681

Notes:

- The criteria for the House Purchase Assistance schemes have varied across the years but in general have been offered at 1% below the Bank of England base rate. In 2014 a Shared Equity Scheme was introduced which offered a 2 year interest-free period then charged at 1%, increasing incrementally by 1% each subsequent year or Bank of England Base Rate plus 5% whichever is the lesser.
- The MUA loan consists of Isle of Man Treasury Bonds that comprise a Bond with a £75 million nominal value at 5.625% per annum with a maturity date of 29 March 2030, and a Bond with a £185 million nominal value at 5.375% per annum with a maturity date of 14 August 2034.
- In 2008-09 an amount of £400,000 was advanced from The Economic Development Fund to fund the initial capital investment of e-Ilan Communications Limited. This loan is repayable over ten years.
- The Local Authority Loans are in respect of obligations taken on for sewer mains and sewerage assets transferred to the Authority prior to 2007.
- Interest payable on the Consolidated Loans Fund is at a variable interest rate as determined annually by Isle of Man Government Treasury. For the year under review the interest rate was set at 1.0% (2014-15: 0.0%).



7.16.2 Current Debtors

CURRENT DEBTORS				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Trade Debtors	32,583	26,966	12,191	11,567
Prepayments	264	461	-	-
Loan Schemes	1,162	944	7,611	11,272
Sub-total	34,009	28,371	19,802	22,839
Taxation Debtors	25,013	27,332	25,013	27,332
Other Debtors	28,563	22,435	26,109	20,659
Sub-total	53,576	49,767	51,122	47,991
Total	87,585	78,138	70,924	70,830

Notes

- Included within Trade Debtors and Prepayments for both the Group and Central Government is an amount of £1.5 million (2015: £1.5 million) in respect of the Kaupthing Singer & Friedlander (Isle of Man) Limited Early Payment Schemes and Depositors' Compensation Schemes. A provision of £1.1 million (2015: £1.1 million) has been applied against this balance to give a net balance of £0.4 million (2015: £0.4 million).
- Taxation Debtors include amounts in respect of direct and indirect taxation where assessments have been raised and are expected to be paid. Income Tax assessments which are under review and for which the assessed value may change are excluded from the Taxation Debtors amount as the amount and timing of payment is uncertain.
- Other Debtors for 2015-16 include an amount of £15.8 million (2014-15 £6.1 million) payable by the United Kingdom's HM Revenue & Customs in respect of the VAT sharing arrangement.

7.17 Stocks and Work in Progress

STOCKS AND WORK-IN-PROGRESS				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Raw Materials and Consumables	8,510	7,900	1,643	1,360
Work in Progress	1,661	1,629	1,661	1,629
Goods for Resale	1,549	1,467	1,371	1,314
Total	11,720	10,996	4,675	4,303



7.18 Cash Balances

CASH BALANCES				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Cash re: external funds	501,640	294,862	501,640	294,862
Cash re: loans fund	46,728	44,410	46,728	44,410
Other cash balances	(60,839)	(46,111)	(92,353)	(92,906)
Cash at Bank and in Hand	487,529	293,161	456,015	246,366
Bank Overdrafts and Loans Payable	(21,647)	(20,877)	(21,512)	(20,801)
Total	465,882	272,284	434,503	225,565

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

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

LENDING FACILITIES IN PLACE	
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



7.19 Creditors and Third Party Funds

7.19.1 Creditors: Amounts falling due within one year

CURRENT LIABILITIES					
	Note	Group		Central Government	
		2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Trade creditors		15,824	23,050	7,716	9,796
Accruals		36,511	29,097	26,978	23,912
Other creditors		8,334	8,163	7,831	8,294
Sub-total Creditors		60,669	60,310	42,525	42,002
Finance debt	7.22.1	5,295	4,980	1,613	1,520
Derivatives	7.22.2	9,007	4,802	-	-
Sub-total Finance Debt		14,302	9,782	1,613	1,520
Total		74,971	70,092	44,138	43,522

7.19.2 Creditors: Amounts falling due after more than one year

LONG-TERM LIABILITIES					
	Note	Group		Central Government	
		2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Finance debt	7.22.1	57,666	60,701	29,169	30,781
Derivatives	7.22.2	3,507	3,649	-	-
Sub-total Finance Debt		61,173	64,350	29,169	30,781
Deferred income	7.20	12,425	12,281	-	-
Provisions		-	1,393	-	-
Sub-total Other Creditors		12,425	13,674	-	-
Total		73,598	78,024	29,169	30,781

7.20 Deferred Income

DEFERRED INCOME				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Falling due after more than one year				
Customers' Contributions				
Opening Balance	12,281	12,022	-	-
Received in the year	651	747	-	-
Released to I&E Account in the year	(507)	(488)	-	-
Closing Balance	12,425	12,281	-	-

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



7.21 Loans Payable

7.21.1 Central Government

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

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

The Bonds have the following details:

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

7.21.2 Group Accounts

Loans payable includes £2.8 million (2015: £2.9 million) due to local authorities by the Manx Utilities Authority. The loans are in respect of obligations taken on for sewer mains and sewerage assets transferred to the Authority prior to 2007.

LOANS PAYABLE				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
5.625% Bonds repayable March 2030	75,000	75,000	75,000	75,000
5.375% Bonds repayable August 2034	185,000	185,000	185,000	185,000
Local Authority loans taken over (MUA)	2,837	2,775	-	-
Total Long Term Loans	262,837	262,775	260,000	260,000
Bank Overdrafts and Loans Payable	21,647	20,877	21,512	20,801
Total Loans Payable	284,484	283,652	281,512	280,801



7.22 Other Financial Liabilities

7.22.1 Finance leases

The future minimum finance lease payments are as follows:

FINANCE LEASE OBLIGATIONS				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Payments Due:				
Falling due within one year:				
Within one year	5,295	4,980	1,613	1,520
Falling due after one year:				
Between one and five years	30,372	25,696	9,686	7,074
Later than five years	27,294	35,005	19,483	23,707
Sub-total due after one year	57,666	60,701	29,169	30,781
Total	62,961	65,681	30,782	32,301

Central Government

At 31 March 2015 there was one material finance lease in existence in respect of the Energy from Waste Plant in Braddan, which was the subject of a sale and lease back agreement in 2004. During the year to 31 March 2016 the annual rental of £3.4 million (2014-15: £3.4 million) was charged to the Income and Expenditure Account of the Department of Infrastructure. That amount is payable until the final payment which is due on 28 September 2028.

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

Group Accounts

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

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

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

The amounts due under this agreement are payable in Euros (€). At the 31 March 2016 the Manx Utilities Authority had contracts in place for monthly commitments to purchase Euros at a predefined rate until March 2018. The total nominal amount of these contracts at 31 March 2016 was €26.4 million which equates to a Sterling commitment of £20.3 million (2015: €38.5 million, £29.4 million).



7.22.2 Derivatives

DERIVATIVES				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Falling due within 1 year				
- Forward purchase of natural gas	8,912	4,383	-	-
- Forward purchases of currency	95	419	-	-
Sub-total	9,007	4,802	-	-
Falling due after 1 year				
- Forward purchase of natural gas	2,917	2,736	-	-
- Forward purchases of currency	590	913	-	-
Sub-total	3,507	3,649	-	-
Total	12,514	8,451	-	-

7.23 Movements on Reserves

7.23.1 Net General Revenue Account

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

7.23.2 General Revenue Adjustments Account

GENERAL REVENUE ADJUSTMENTS ACCOUNT				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Balance brought forward	(396,833)	284,882	(398,754)	282,961
Fixed assets adjustments	(16,755)	9,206	(16,755)	9,206
Pensions adjustments	18,000	(691,000)	18,000	(691,000)
Other	574	79	561	79
Total	(395,014)	(396,833)	(396,948)	(398,754)

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

7.23.3 External Funds and Reserves

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

Details of balances and movements on externally managed funds and reserves are provided in Note 7.14.2.



7.23.4 Internal Funds – Central Government

INTERNAL FUNDS - CENTRAL GOVERNMENT							
Internal Revenue Fund or Reserve	Balances brought Forward 1 Apr 15 £000	Income			Expenditure		Balances Carried Forward 31 Mar 16 £000
		Contributions Seizures & Other £000	Transfers from Departments £000	Investment Income £000	Transfers to other funds £000	Other Expenses £000	
Agricultural Development Fund	3,916	-	-	15	-	847	3,084
Economic Development Fund	9,263	-	-	82	40	100	9,205
Government Energy Initiatives Capital Fund	2,129	-	73	9	-	359	1,852
Government Marketing Initiatives Fund	4,321	-	-	15	-	1,178	3,158
Health Inspection Fund	2,107	2,641	-	12	-	598	4,162
Housing Reserve Fund	13,996	2,319	370	48	-	7,496	9,237
ICT Fund	6,015	-	609	20	-	3,120	3,524
Land & Property Acquisition Reserve	2,525	-	-	11	-	-	2,536
Legal Costs Reserve	6,618	-	-	22	-	2,883	3,757
Medical Indemnity Fund	5,361	-	-	20	-	982	4,399
Restructuring Fund	4,697	-	-	17	-	1,493	3,221
Seized Assets Fund	3,609	220	-	14	-	465	3,378
Town & Village Centre Regeneration Fund	6,721	-	-	21	-	3,650	3,092
Total	71,278	5,180	1,052	306	40	23,171	54,605

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 8 of the Detailed Government Accounts.



7.23.5 Internal Funds – Group Accounts

INTERNAL FUNDS - GROUP					
	Restated Balances brought Forward 1 Apr 15 £000	Income		Expenditure	Balances Carried Forward 31 Mar 16 £000
		Contributions, Seizures & Other £000	Realised Income £000	Internal Transfers and Other Expenses £000	
Treasury funds					
Internally managed funds	71,278	6,232	306	(23,211)	54,605
Other funds					
<u>Isle of Man Post Office</u>					
Reserves	13,490	-	-	1,328	14,818
<u>Manx Utilities Authority</u>					
Reserves	(16,069)	-	-	(45,960)	(62,029)
<u>Owned Companies</u>					
Reserves	845	(74)	-	-	771
Total	69,544	6,158	306	(67,843)	8,165

Notes

1. The opening balances have been adjusted to reflect the changes as a result of FRS102.
2. The large transfer out of the MUA Reserves represents the transfer to the MUA Bond Repayment Fund which is now administered by Treasury through its external investment managers, and is therefore now shown as an external fund.



7.24 Pensions

7.24.1 Overview

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

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

The schemes operated by Central Government comprise the following:

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

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

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

- The Isle of Man Post Office Superannuation Schemes

7.24.2 Assumptions used

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

PENSION ASSUMPTIONS USED				
	Group		Central Government	
	2015-16	2014-15	2015-16	2014-15
Discount rate	3.50%	2.87%	3.50%	2.85%
Salary increase rate	4.13%	3.61%	4.20%	3.65%
Rate of revaluation in deferment	2.10%	2.15%	n/a	n/a
Pension increase rate	0.66%	0.47%	0.60%	0.40%
Expected return on scheme assets	3.55%	3.30%	n/a	n/a
Price inflation rate - Consumer Price Index (CPI)	2.20%	1.67%	2.20%	1.65%

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

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

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



7.24.3 Amounts recognised in the Balance Sheet

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

PENSION AMOUNTS RECOGNISED IN THE BALANCE SHEET				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Equities	39,424	44,594	-	-
Property	12,889	9,711	-	-
Bonds	13,360	13,211	-	-
Other	3,877	3,824	-	-
Fair value of scheme assets	69,550	71,340	-	-
Present value of liabilities	(3,064,726)	(3,085,585)	(2,991,000)	(3,009,000)
Net pension liability	(2,995,176)	(3,014,245)	(2,991,000)	(3,009,000)

7.24.4 Reconciliation of scheme liabilities

RECONCILIATION OF SCHEME LIABILITIES				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
At beginning of period	3,085,585	2,384,127	3,009,000	2,318,000
Benefits paid	(87,511)	(94,409)	(85,000)	(92,000)
Employee contributions	18,463	34,481	18,000	34,000
Current service cost	76,845	69,303	75,000	68,000
Interest Income	88,489	102,999	86,000	100,000
Curtailments	-	140	-	-
Re-measurement (gains)/losses:				
- Actuarial (gains)/losses	(117,145)	588,944	(112,000)	581,000
At end of period	3,064,726	3,085,585	2,991,000	3,009,000

7.24.5 Changes in the fair value of scheme assets

CHANGES IN THE FAIR VALUE OF SCHEME ASSETS				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
At beginning of period	71,340	64,186	-	-
Benefits paid	(2,511)	(2,409)	-	-
Employee contributions	463	481	-	-
Expected return on assets	2,336	2,867	-	-
Sponsor contributions	906	945	-	-
Actuarial (losses)/gains	(2,984)	5,270	-	-
At end of period	69,550	71,340	-	-



7.24.6 Amounts recognised in the Income and Expenditure Account

AMOUNTS RECOGNISED IN THE INCOME AND EXPENDITURE ACCOUNT				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Current service cost	76,845	69,303	75,000	68,000
Interest on scheme liabilities	88,489	102,999	86,000	100,000
Expected return on scheme assets	(2,336)	(2,867)	-	-
Curtailments	-	140	-	-
Total expense	162,998	169,575	161,000	168,000
Actual return on scheme assets	(648)	8,137	-	-

7.24.7 Return on plan assets

RETURN ON PLAN ASSETS				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Interest Income	-	-	-	-
Return on Plan Assets Less Investment Income	(648)	8,137	-	-
Total Return on Plan Assets	(648)	8,137	-	-

7.24.7 Amounts recognised in the Statement of Comprehensive Income

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Actual return less expected return on scheme assets	(2,984)	5,270	-	-
Experience gains and losses arising on scheme liabilities	23,433	(191,367)	23,000	(194,000)
Change in assumptions underlying present value of scheme liabilities	93,711	(397,577)	89,000	(387,000)
Net actuarial (gains)/losses recognised in the period	114,160	(583,674)	112,000	(581,000)

7.24.8 Reconciliation of Movement on the General Revenue Account Balance

RECONCILIATION OF MOVEMENT ON GENERAL REVENUE ACCOUNT BALANCE				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Amount recognised in the I&E Account	161,000	168,000	161,000	168,000
Add Back:				
Employee Contributions	18,000	34,000	18,000	34,000
Benefits Paid	(85,000)	(92,000)	(85,000)	(92,000)
Total	94,000	110,000	94,000	110,000

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



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

CUMULATIVE NET ACTUARIAL (GAINS)/LOSSES RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
At beginning of period	1,079,131	500,805	1,078,000	497,000
Actuarial (gain)/loss on pension scheme	(109,839)	578,326	(112,000)	581,000
At end of period	969,292	1,079,131	966,000	1,078,000

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

The £112 million net actuarial gain for Central Government for 2015-16 comprises a £57 million gain for changes in financial assumptions underlying the present value of scheme liabilities, an experience gain of £23 million and a £32 million gain for changes in the longevity assumption. This compares to 2014/15 which saw a £588 million actuarial loss largely due to changes in the financial assumptions underlying the present value of scheme liabilities.

7.24.10 Historical Information

HISTORICAL INFORMATION					
	Group				
	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Present value of scheme Liabilities	(3,064,726)	(3,085,585)	(2,384,127)	(2,358,740)	(2,007,831)
Fair value of scheme assets	69,550	71,340	64,186	62,506	55,727
Net scheme deficit	(2,995,176)	(3,014,245)	(2,319,941)	(2,296,234)	(1,952,104)
Experience adjustments on scheme liabilities	(22,567)	196,633	(174,104)	60,976	56,270
Experience adjustments on scheme assets	(2,984)	5,270	(1,157)	3,803	477
	Central Government				
	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Present value of scheme Liabilities	(2,991,000)	(3,009,000)	(2,318,000)	(2,291,000)	(1,948,000)
Fair value of scheme assets	-	-	-	-	-
Net scheme deficit	(2,991,000)	(3,009,000)	(2,318,000)	(2,291,000)	(1,948,000)
Experience adjustments on scheme liabilities	(23,000)	194,000	(175,000)	61,000	56,000
Experience adjustments on scheme assets	-	-	-	-	-



7.25 Contingent Assets

As at 31 March 2016, grants totalling £17,457,161 (2015: £17,457,161) had been issued under House Purchase Assistance Schemes currently operated by the Department of Infrastructure. These grants depreciate by 20% of the original value at 5 year intervals, and outstanding grants are repayable on disposal of the property. Total currently outstanding (i.e. less depreciation and repayment) is £8,601,383 (2015: £9,331,640).

At the same date, loans totalling £23,231,438 (including accrued interest) (2015: £19,689,951) had also been issued under House Purchase Assistance Schemes (since 1999) to date. The current loan balance outstanding is £17,747,537 (2015: £20,204,769).

7.26 Contingent Liabilities

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.

Specific guarantees or potential liabilities at 31 March 2016 totalled £225.5 million (2015: £217.6 million), as set out below:

CONTINGENT LIABILITIES					
	Note	Group		Central Government	
		2015-16	2014-15	2015-16	2014-15
		£000	£000	£000	£000
Local Authority Borrowing	ii	212,745	208,116	212,745	208,116
Medical Indemnity Fund	iii	3,970	3,666	3,970	3,666
Insurance		4,211	4,211	4,211	4,211
Meat Plant		1,000	1,000	1,000	1,000
Economic Development Fund	iv	410	410	410	410
Student Loans	v	199	245	199	245
Total		222,535	217,648	225,535	217,648

- i. This statement records Government’s identified potential liabilities and specific guarantees.
- 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 £262.0 million at 31 March 2016 (2015: £264.2 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. The Economic Development Fund amounts relate to guarantees issued from the Economic Development Fund.
- v. The Department of Education and Children and the Treasury have signed an agreement with the Isle of Man Bank Limited to indemnify the bank for losses in respect of graduate loans issued by the bank. The maximum amount guaranteed under this facility is £10.0 million (2015: £10.0 million).
- vi. In addition, Isle of Man Government has given an undertaking to financially support the Manx Utilities Authority.

7.27 Post Balance Sheet Events

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



7.28 Related Party Transactions

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

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

7.28.1 Group

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

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

Manx Utilities Authority

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

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

Isle of Man Post Office

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

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

ISLE OF MAN POST OFFICE SUPERANNUATION SCHEME		
	31 Mar 16	31 Mar 15
	£000	£000
Pensions paid on behalf of the Scheme	1,762	1,580
Net recharges made to the Scheme	315	212
Balance owed by the Scheme	(188)	(177)

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

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



7.28.2 Central Government

(i) 2015/2016

RELATED PARTY TRANSACTIONS - 2015/16					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Government £	Type of payment made to company	Year -end balance 31/03/2016 £
Mr D M Anderson MHK	Ballamoar Farm Ltd	Owner	£41,924	Consisting of Countryside Care Scheme Grant, Agricultural Development grant, and other relevant payments	-
	Anderson Farms Ltd	Owner/ Director	£78,826	Consisting of Countryside Care Scheme Grant, Agricultural Development grant, FHIS Grant, and other relevant payments	-
Mrs C M Christian President of Tynwald	Ballafayle Farm Ltd	Owner	£2,583	Consisting of Countryside Care scheme Grant and Agricultural Development Grant	-
Mr R H Quayle MHK	Ballavitchel Estates Ltd	Owner/ Director	£30,812	Consisting of Countryside Care Scheme Grant and Agricultural Development Grant	-
Mr P A Gawne MHK	Mooijer Veggey	Chairman / Director	£451,142	Payments made against relevant supplier invoices	£113,274
	Southern Community Initiatives	Director	£11,330	Payments made against relevant supplier invoices	-
Mr J L M Quinn Acting Attorney General	The Sefton Group	Shareholder/ Debtor	£72,450	- Payments made against relevant supplier invoices. - Loan issued to Sefton Group in 2013/14 repayable in 2018/19	£6,996 £1,300,000
	Kilkenny Farms Ltd	Owner	£2,275	Consisting of Countryside Care Scheme Grant and Agricultural Development Grant	-
Mrs K J Beecroft MHK	Manx Home Care Ltd	Director	£113,530	Payments made against relevant supplier invoices	-
Mr A L Cannan MHK	McKenzie Fox Ltd	Director	£3,250	Payments made against relevant supplier invoices	-
Mr G R Peake MHK	Professional Lighting Design Ltd	Director	£11,986	Payments made against relevant supplier invoices	-
Mr S C Rodan MHK Speaker of the House of Keys	Laxey Chemist Ltd	Director	£7,332	Payments made against relevant supplier invoices	-
	Laxey & Lonan Heritage Trust Ltd	Director	£3,000	Payments made against relevant supplier invoices	-
Mr L D Skelly MHK	Manx Inspirations	Director	£28,863	Payments made against relevant supplier invoices	-
Mr T P Wild MLC	Laxey & Lonan Heritage Trust Ltd	Director	£3,000	Payments made against relevant supplier invoices	-

**(ii) Related Parties (Continued) - 2014/2015**

RELATED PARTY TRANSACTIONS - 2014/15					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt. £	Type of payment made to Company	Year-end balance 31/03/2015 £
Mr D M Anderson MHK	Ballamoar Farm Ltd	Owner	£56,324	Countryside Care Scheme grant	-
Mr P A Gawne MHK	Mooinjor Veggey	Chairman / Director	£329,252	Various supplier payments	-
Mr J L M Quinn, Acting Attorney General	The Sefton Group	Shareholder/ Debtor	£114,402	- Various supplier payments - Loan issued to Sefton Group in 2013/14 repayable in 2018/19	£5,270 £1,300,000
Mrs K J Beecroft MHK	Manx Home Care Ltd	Director	£116,474	Payments made against relevant supplier invoices	-

Notes

- i. The 2014/15 entry for Mrs Beecroft has been added in 2015/16 along with the Sefton Group loan amount.
- ii. Prior to 2015-16 a materiality limit of £50,000 was applied to related party transactions but this has been lowered to £1,000 for 2015/16 to improve transparency.
- iii. 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.
- iv. 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>.
- v. The Government has interests in companies and the relevant disclosures can be found in Note 7.15.
- vi. Minister of Departments are considered to be 'key management' so the compensation paid to Ministers during the year has been included within the note 7.6.



7.29 Reconciliation of Net Cash Flow from Operating Activities

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES				
	Group		Central Government	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Surplus/(Deficit) Before Interest	52,993	(21,163)	23,657	(43,445)
- Net transfer to reserves	(82,932)	(38,657)	(84,850)	(43,281)
Operating (Deficit)	(29,939)	(59,820)	(61,193)	(86,726)
Depreciation and amortisation charges	118,140	117,305	97,220	95,489
Deferred income release	(507)	(488)	-	-
Net transfer (to)/from external reserves	(21,595)	(76,088)	(19,677)	(71,439)
(Gain)/loss on disposal of fixed assets	(1,445)	(173)	259	(55)
Unrealised (gain) on forward purchase contracts	(10,710)	(9,567)	-	-
Unrealised gain/(loss) on currency revaluation	6,362	(4,027)	-	-
Defined benefit scheme - current service cost in excess of contributions	8,939	10,498	8,000	10,000
Movements in working capital:				-
- (Increase)/decrease in stocks	(70)	579	282	531
- (Increase)/decrease in debtors	(8,592)	64,539	(4,409)	63,363
- Increase/(decrease) in creditors	(2,428)	(23,846)	523	(20,039)
Net cash inflow/(outflow) from operating activities	58,155	18,912	21,005	(8,876)



7.30 Transition to FRS 102

This is the first year that the Government has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile the results for the financial year ended 31 March 2015 and net assets as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

7.30.1 Income and Expenditure Account

ADJUSTMENT TO DEFICIT			
	Note	Group	Central Government
		2014-15 £000	2014-15 £000
Income and Expenditure Account			
Deficit under UK GAAP		(110,043)	(111,382)
Derivative financial instruments	i	(5,030)	-
Unrealised gain on investments	ii	58,086	58,086
Holiday pay accrual	iii	-	(32)
Defined benefit pension scheme	iv	(34,955)	(34,000)
Other adjustments	v	(13)	(3)
Total adjustment for the financial year		18,088	24,051
ADJUSTED Deficit per FRS102		(91,955)	(87,331)

7.30.2 General Revenue Adjustments Account

GENERAL REVENUE ADJUSTMENTS ACCOUNT			
	Note	Group	Central Government
		2014-15 £000	2014-15 £000
General Revenue Adjustments Account			
As previously reported		(395,053)	(396,974)
Holiday pay accrual	iii	(1,780)	(1,780)
ADJUSTED PER FRS 102		(396,833)	(398,754)

Note

The holiday accrual posted at the Post Office does not impact the General Revenue Adjustments Account.

7.30.3 Total Net Assets

ADJUSTMENT TO NET ASSETS			
	Note	Group	Central Government
		2014-15 £000	2014-15 £000
Total Net Assets			
As previously reported		1,229,719	1,221,007
Derivative financial instruments	i	(8,452)	-
Holiday pay accrual	iii	(1,853)	(1,780)
Total adjustments for the financial year		(10,305)	(1,780)
ADJUSTED PER FRS 102		1,219,414	1,219,227



Transition to FRS102 (Continued) - Notes

i. Derivative financial instruments

FRS 102 requires forward purchase agreements to be recognised at fair value. Previously under UK GAAP the MUA did not recognise these agreements in the financial statements. Accordingly a liability of £8.5 million was recognised on 1 April 2014, and a loss of £5.0 million was recognised in the Income and Expenditure Account for the year ended 31 March 2015.

ii. Unrealised gain on investments

Under previous UK GAAP, the unrealised gain on investments was recognised in the Statement of Total Recognised Gains and Losses, whereas under FRS 102 this is required to be recognised in the Income and Expenditure Account. This has resulted in the unrealised gain on investments for the year end 31 March 2015 of £58.1 million being recognised in the Income and Expenditure Account, with a corresponding adjustment to Other Comprehensive Income. There has been no change to the previously reported net assets at either 1 April 2014 or 31 March 2015 as a result of this change.

iii. Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the Income and Expenditure Account as the employee's service is received. Previously holiday pay accruals were not recognised and were charged to the Income and Expenditure Account as they were paid. The effect of this change has been to recognise a liability of £1.9 million at 1 April 2014 with an expense of £54,000 charged to the Income and Expenditure Account for the year ended 31 March 2015.

iv. Defined benefit scheme

Under previous UK GAAP the Group recognised an expected return on defined benefit plan assets in the Income and Expenditure Account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the Income and Expenditure Account. There has been no change in the defined benefit liability at either 1 April 2014 or 31 March 2015. The effect of the change has been to debit the Income and Expenditure Account in the year to 31 March 2015 by £35 million.

v. Other adjustments

The Other Adjustments consist mainly of an adjustment in respect of lease incentives under FRS102



7.31 Restatement of Prior Year Accounts due to FRS102 and Other Changes

7.31.1 Income and Expenditure Account

RESTATEMENT OF PRIOR YEAR INCOME AND EXPENDITURE ACCOUNT						
	2014-15	Central Govt			Group	2014-15
	AS REPORTED £000	Changes to Presentation £000	Internal Restructure £000	FRS102 Adjustments £000	FRS102 Adjustments £000	RESTATED £000
Treasury Department						
Customs and Excise	321,927	-	-	-	-	321,927
Income Tax	201,775	-	-	-	-	201,775
Social Security	-	199,323	-	-	-	199,323
Other Treasury Income	9,639	-	-	-	-	9,639
Treasury Reserves Income	54,905	55	-	-	-	54,960
Treasury Gross Expenditure	(100,423)	100,423	-	-	-	-
Sub-Total Treasury Income	487,823	299,801	-	-	-	787,624
Government Departments						
Cabinet Office	-	(25,599)	(349)	(6)	-	(25,954)
Economic Development	(6,022)	-	2,561	(2)	-	(3,463)
Education & Children	(119,391)	-	-	-	-	(119,391)
Environment, Food & Agriculture	(17,425)	-	(259)	(3)	-	(17,687)
Health & Social Care	(218,188)	-	275	(10)	-	(217,923)
Home Affairs	(33,389)	-	-	(1)	-	(33,390)
Infrastructure	(114,219)	-	(16)	(5)	-	(114,240)
Treasury Gross Expenditure	-	(299,804)	(3,780)	(1)	-	(303,585)
	(508,634)	(325,403)	(1,568)	(28)	-	(835,633)
Other bodies						
Cabinet Office	(25,599)	25,599	-	-	-	-
Executive Government	49,832	-	1,568	(34,002)	-	17,398
Manx National Heritage	(4,300)	-	-	-	-	(4,300)
Road Transport Licensing Committee	(96)	-	-	(2)	-	(98)
Statutory Boards (Revenue Funded)	132	-	-	-	-	132
	19,969	25,599	1,568	(34,004)	-	13,132
Expenses of the Legislature	(5,179)	-	-	-	-	(5,179)
	(5,179)	-	-	-	-	(5,179)
Net Voted Deficit	(6,021)	(3)	-	(34,032)	-	(40,056)
Statutory Boards (Non-Revenue Funded)						
Isle of Man Post Office	383	-	-	-	22	405
Manx Utilities Authority	13,962	-	-	-	5,375	19,337
	14,345	-	-	-	5,397	19,742
Owned Companies						
Isle of Man Film Limited	-	-	-	-	-	-
Isle of Man Limited	-	-	-	-	-	-
Isle of Man National Transport Ltd	-	-	-	-	-	-
Laxey Glen Mills Limited	(9)	-	-	-	-	(9)
Radio Manx Limited	(840)	-	-	-	-	(840)
	(849)	-	-	-	-	(849)
Surplus/(Deficit) before Interest	7,475	(3)	-	(34,032)	5,397	(21,163)
Interest payable and similar charges	(118,385)	-	-	-	(2,382)	(120,767)
Interest and investment income	867	-	-	-	589	1,456
Loss on forward purchases	-	-	-	-	(9,567)	(9,567)
Unrealised gain on investments	-	-	-	58,086	-	58,086
	(110,043)	(3)	-	24,054	(5,963)	(91,955)



7.31.2 Balance Sheet

RESTATEMENT OF PRIOR YEAR BALANCE SHEET					
	GROUP				
	2014-15	FRS102 Adjustments			TOTAL
	AS REPORTED	Central Government	IOMPO	MUA	RESTATED
	£000	£000	£000	£000	£000
Long Term Assets					
Fixed Assets	2,781,992	-	-	-	2,781,992
Long Term Investments	1,205,737	-	-	-	1,205,737
Long Term Debtors	23,098	-	-	-	23,098
	4,010,827	-	-		4,010,827
Current Assets					
Stocks and Work in Progress	10,996	-	-	-	10,996
Debtors and Prepayments	72,678	-	-	5,460	78,138
Short Term Deposits	272,436	-	-	(15,338)	257,098
Investments	-	-	-	15,337	15,337
Cash at Bank and in Hand	293,161	-	-		293,161
	649,271	-	-	5,459	654,730
Current Liabilities					
Creditors	(57,978)	(1,780)	(73)	(479)	(60,310)
Finance Debt	-	-	-	(9,782)	(9,782)
Loans Payable	(130)	-	-	-	(130)
Bank Overdrafts and Loans Payable	(20,877)	-	-	-	(20,877)
	(78,985)	(1,780)	(73)	(10,261)	(91,099)
Net Current Assets	570,286	(1,780)	(73)	(4,802)	563,631
Long Term Liabilities					
Loans Payable	(262,775)	-	-	-	(262,775)
Pension Scheme Liability	(3,014,245)	-	-	-	(3,014,245)
Finance Debt	-	-	-	(64,350)	(64,350)
Other Creditors	(74,374)	-	-	60,700	(13,674)
	(3,351,394)	-	-	(3,650)	(3,355,044)
Total Net Assets	1,229,719	(1,780)	(73)	(8,452)	1,219,414
Represented by					
Net General Revenue Account	45,517	-	-	-	45,517
General Revenue Adjustments Account	(395,053)	(1,780)	-	-	(396,833)
Hospital Estates Development Fund	43,451	-	-	-	43,451
Manx Currency Account	80,629	-	-	-	80,629
Media Development Fund	34,096	-	-	-	34,096
National Insurance Fund	774,519	-	-	-	774,519
Public Service Employees Pension Reserve	226,423	-	-	-	226,423
Reserve Fund	342,068	-	-	-	342,068
Internal Funds and Reserves	78,069	-	(73)	(8,452)	69,544
	1,229,719	(1,780)	(73)	(8,452)	1,219,414



8 Reconciliation of Expenditure of Departments and Other Bodies

8.1 Overview

Detailed information in respect of Central Government income and expenditure is reported in the Detailed Government Accounts (GD 2016/0034).

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 2015-16 as reported in the Detailed Government Accounts and the adjustments applied to re-state the net expenditure figures to the required United Kingdom Accounting Standards basis.

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

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

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



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

RECONCILIATION OF NET DEPARTMENT EXPENDITURE					
	2014-15				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
Government Departments					
Cabinet Office	26,069	(2,971)	2,850	6	25,954
Economic Development	431	1,158	1,872	2	3,463
Education & Children	89,634	13,128	16,629	-	119,391
Environment, Food & Agriculture	13,672	2,753	1,259	3	17,687
Health & Social Care	184,112	10,416	23,385	10	217,923
Home Affairs	28,343	(1,025)	6,071	1	33,390
Infrastructure	47,087	62,902	7,650	(3,399)	114,240
Treasury	305,390	(515)	2,963	1,136	308,974
	694,738	85,846	62,679	(2,241)	841,022
Other bodies					
Executive Government	38,177	(11)	(55,566)	2	(17,398)
Manx Museum and National Trust	3,765	(86)	621	-	4,300
Road Transport Licensing Committee	79	-	17	2	98
Statutory Board (Revenue Funded)	(1,530)	(57)	1,455	-	(132)
	40,491	(154)	(53,473)	4	(13,132)
Expenses of the Legislature	4,705	(320)	794	-	5,179
Total Voted Expenditure	739,934	85,372	10,000	(2,237)	833,069



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 2016/0034). The Consolidated Loans Fund provides funding to Departments and other bodies where expenditure will be incurred over a number of years. Its operation is governed by the Isle of Man Loans Act 1974 and it provides a mechanism for allocating funding and funding costs to Departments.

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

9.2 Consolidated Loans Fund Balance Sheet

CONSOLIDATED LOANS FUND BALANCE SHEET		
	Central Government	
	2015-16 £000	2014-15 £000
Assets		
Advances to Borrowing Accounts:-		
Fixed Assets - Central Government	727,175	663,731
Loans to Statutory Boards	1,080,646	1,074,698
Long Term Loans	4,372	4,372
Cash at Bank	46,728	44,409
Total	1,858,921	1,787,210
Liabilities		
Loans Outstanding:-		
Bond Issues	260,000	260,000
Capital Fund	867,374	859,107
Capital Discharged	731,547	668,103
Total	1,858,921	1,787,210

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 2015-16 totalled £51.6 million (2014-15 £49.4 million).
- iii. The Bond issues referred to above were made by the Treasury on behalf of the Manx Utilities Authority. These amounts relate to amounts raised by Treasury through a Bond Issue, the proceeds of which were then loaned to the Manx Utilities Authority through the Consolidated Loans Fund.
- iv. Apart from the earmarked Bond issues, all of Government Departments' current capital financing requirements is met from internal resources, and all other external debt has been repaid. The sources of funding for Government's on-going capital programme were the interest on the Capital Fund, Departmental principal repayments, Capital Receipts and contributions from the Housing Reserve Fund and the Land and Property Acquisition Reserve.
- v. Net interest of £8.1 million (2014-15: £nil) was paid to the Capital Fund from Departments during the year, as the interest rate was set at 1.00% (2014-15: 0%).



Notes (Continued)

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

RECONCILIATION OF CAPITAL DISCHARGED		
	Central Government	
	2015-16	2014-15
	£000	£000
Advances to Borrowing Accounts:-		
Fixed Assets	1,807,821	1,738,429
Long Term Loans	4,372	4,372
Capital Discharged	(731,547)	(668,103)
Net Advances Outstanding	1,080,646	1,074,698

9.3 Consolidated Loans Fund Interest Transactions

CONSOLIDATED LOANS FUND INTEREST TRANSACTIONS		
	Central Government	
	2015-16	2014-15
	£000	£000
Income		
Investment Interest	111	121
Bond Interest recharged to MUA (ex WASA)	4,219	4,219
Bond Interest recharged to MUA (ex MEA)	9,944	9,944
Balance received from Departments	8,156	-
Total income	22,430	14,284
Expenditure		
Interest on Bond Issues	14,163	14,163
Interest on Capital Fund	8,267	121
Total expenditure	22,430	14,284
Net income/expenditure	-	-

Notes:

- i. The balance on the Interest Transactions Accounts represents net interest charged to Borrowing Accounts in the year ended 31 March 2016 at an average rate of 1.00% (2014-15: 0.00%).
- ii. Interest on the Manx Utilities Authority Bond Issue of £14.1 million was charged in full to the Authority during the year (2014-15: £14.1 million).



9.4 Summary of Capital Advances

SUMMARY OF CAPITAL ADVANCES							
DEPARTMENT	Revised advances outstanding at 1 Apr 15 £000	Advances		Repayments			Advances outstanding at 31 Mar 16 £000
		Year 2015-16 £000	Total to 31 Mar 16 £000	Advances repaid 2015-16 £000	Capital receipts etc. 2015-16 £000	Total Repaid 31 Mar 16 £000	
Economic Development	15,316	406	41,705	1,292	791	28,066	13,639
Education and Children	100,861	6,464	197,933	4,440	188	95,236	102,697
Environment, Food & Agriculture	14,044	1,421	33,794	711	137	19,177	14,617
Health and Social Care	122,957	8,083	224,541	5,499	271	99,271	125,270
Home Affairs	51,341	5,400	81,102	1,626	27	26,014	55,088
Infrastructure	216,284	17,004	559,317	11,075	5,679	342,783	216,534
Treasury	6,292	122	133,781	612	-	127,979	5,802
Manx National Heritage	10,753	547	23,309	799	-	12,808	10,501
Expenses of the Legislature	6,100	-	10,257	342	-	4,499	5,758
Sub-Total Central Government	543,948	39,447	1,305,739	26,396	7,093	755,833	549,906
Manx Utilities Authority	530,751	12,144	643,839	12,157	-	113,101	530,738
TOTAL	1,074,699	51,591	1,949,578	38,553	7,093	868,934	1,080,644

Note: The revised advances outstanding at 01/04/2015 relate only to the transfer of certain functions between Departments (for example the Housing Division transferred from the Department of Health and Social Care to the Department of Infrastructure).

More details on the functional transfers are given on page 12 of the Detailed Government Accounts.

A breakdown of the spending by Department is also included within the Detailed Government Accounts (pages 29 to 57).

**Treasury,
Government Office,
Douglas,
Isle of Man
IM1 3PX
British Isles**

**Tel. +44 (0) 1624 685586
Fax. +44 (0) 1624 685662
e-mail: treasuryadmin@gov.im
Web site address:
<http://www.gov.im>**