





AUDITED ACCOUNTS

For the Year Ended 31 March 2019

LAID BEFORE TYNWALD BY THE TREASURY



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1 Explanatory foreword

1.1 Introduction

The purpose of this foreword is to offer interested parties a comprehensive guide to the most significant matters reported in these Accounts. These accounts are known as the “Dark Blue Book” and the pages which follow are the audited Isle of Man Government accounts for the year ended 31 March 2019.

1.2 Accounting Changes

The Isle of Man Government introduced the Audit Act 2006 and the Accounts and Audit Regulations 2018 for accounting and financial reporting, and requires the Accounts to be prepared in accordance with any Financial Reporting Standards issued or adopted by the UK. Consequently, the Accounts for the year-ended 31st March 2019 have been prepared in accordance with FRS102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland), as applicable to an Isle of Man company.

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

1.3 Financial Highlights and Commentary (Section 2)

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

1.4 Statement of Responsibilities (Section 3)

This sets out the respective responsibilities for preparing the Accounts.

1.5 Statement on Internal Control (Section 4)

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

1.6 Report of the Independent Auditors (Section 5)

The Independent Auditor reports on whether, in their opinion, the Accounts have been properly prepared in accordance with the Accounts and Audit Regulations 2018 and comply with the requirements of all other enactments applicable to the Accounts.

1.7 Income and Expenditure Account (Sections 6.1-6.3)

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

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

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

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



1.9 Statement of Comprehensive Income (Section 6.5)

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

1.10 Balance Sheet (Section 6.6)

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

1.11 Cash Flow Statement (Section 6.7)

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

1.12 Statement of Changes in Equity (Section 6.8)

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

1.13 Notes to the Accounts (Section 7)

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

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

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

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

A more detailed analysis of Department expenditure is presented within the Detailed Government Accounts (Tynwald document number GD2018/0038).

1.15 Consolidated Loans Fund (Section 9)

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



1.16 Additional Information

Throughout the document, reference is made to the Detailed Government Accounts, which are unaudited accounts published in July 2019. 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/>

S De-Yoxall, FCCA

Chief Accountant, Treasury

Date: 13 December 2019



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					
		2018-19 £000	2017-18 £000	Variance £000	Comments
REVENUE					
Operating Income		1,155,342	1,105,150	50,192	Operating Income is higher than prior year primarily due to an increase in taxation income and the acquisition of the Isle of Man Steam Packet Group.
Operating Expenditure		(1,189,149)	(1,117,045)	(72,104)	Operational Departmental spending is up by around £21m, details of which can be found in section 6 of the Detailed Government Accounts. The remaining is due to an increase in the current service cost for pensions and an increase in depreciation for fixed assets.
Other Income and Expenditure		(83,308)	(179,413)	96,105	Last year there was a £60.4m unrealised loss on investments which moved to £32.6m gain in 2018/19
Surplus / (Deficit) for the year		(117,115)	(191,308)	74,193	The deficit in 2018/19 is due to the £100m interest cost on the pension scheme offset against a £32m unrealised gain on investments. The increased deficit in 2017/18 was primarily due to a £60.4m unrealised loss on investments.
CAPITAL					
Income		64,808	65,852	(1,044)	The reduced capital income is a result of increased net capital expenditure, £60.8m in 2018/19 compared to £42m in 2017/18, and increased loan charges (2% in 2018/19 compared to 1.5% in 2017/18).
Expenditure		(60,776)	(41,521)	(19,254)	Capital expenditure has increased compared to prior year due to the number of large projects being undertaken. These include the NSC at £2.4m, Douglas promenade at £1.6m, Liverpool landing stage at £1.6m, St Mary' school at £2.5m and £2.2m on public transport.
EXTERNAL RESERVES					
Market Value		1,617,190	1,551,715	65,475	Despite net withdrawals of approximately £35 million during the year and slightly reduced investment income the market value of the external investments grew by 4.2%.
Investment Income		37,197	38,636	(1,439)	



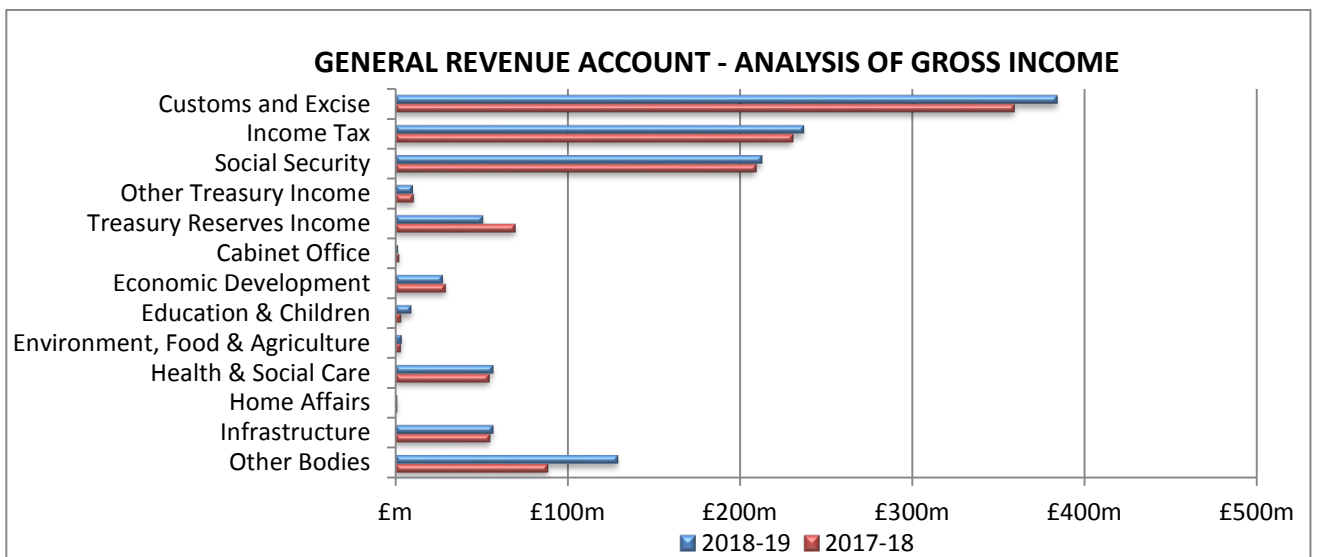
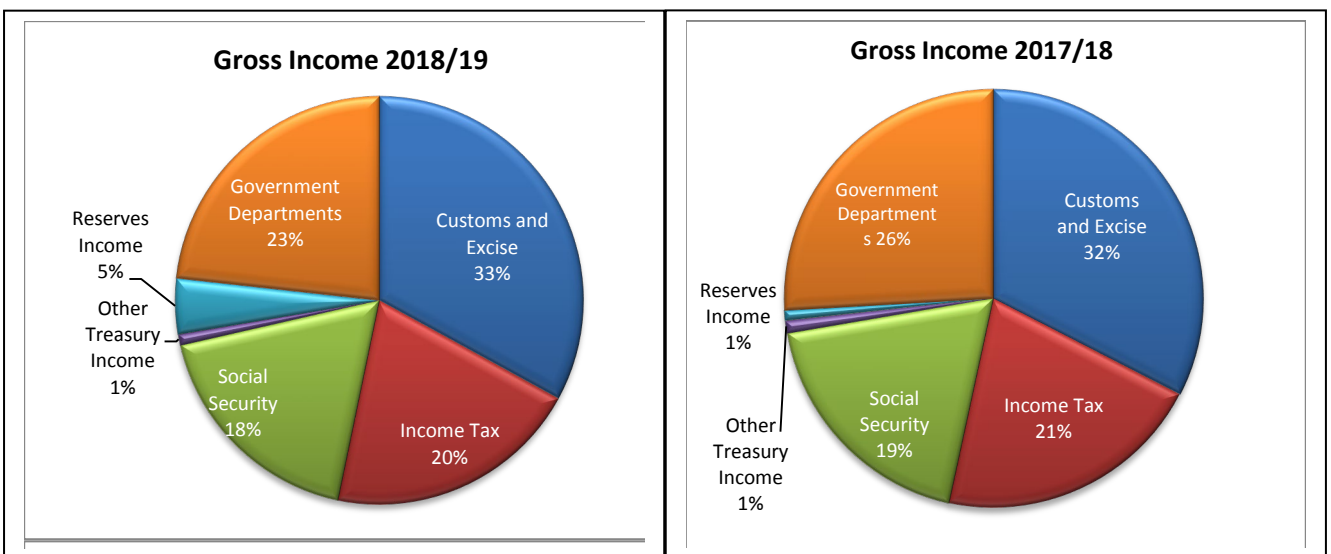
2.3 Central Government

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 £1,163.4 million (2017/18: £1,102.1 million) was above the budgeted figure due to an additional £11 million collected in Income Tax and £13.8 million accrued Income Tax receipts. Increased income also results from the inclusion of reserves income amounting to £50.7 million (2017/18 £69.6 million) and an unrealised gain on investments of £32.6 million (2017/18 loss of £60.9 million).

Within operating income the larger movements were in income tax (up £24.8 million) and Customs and Excise income (up £24.7 million). Total realised reserves income was up by £2 million due to increased investment income of £5.8 million offset against reduced profit on investments of £3.7 million.





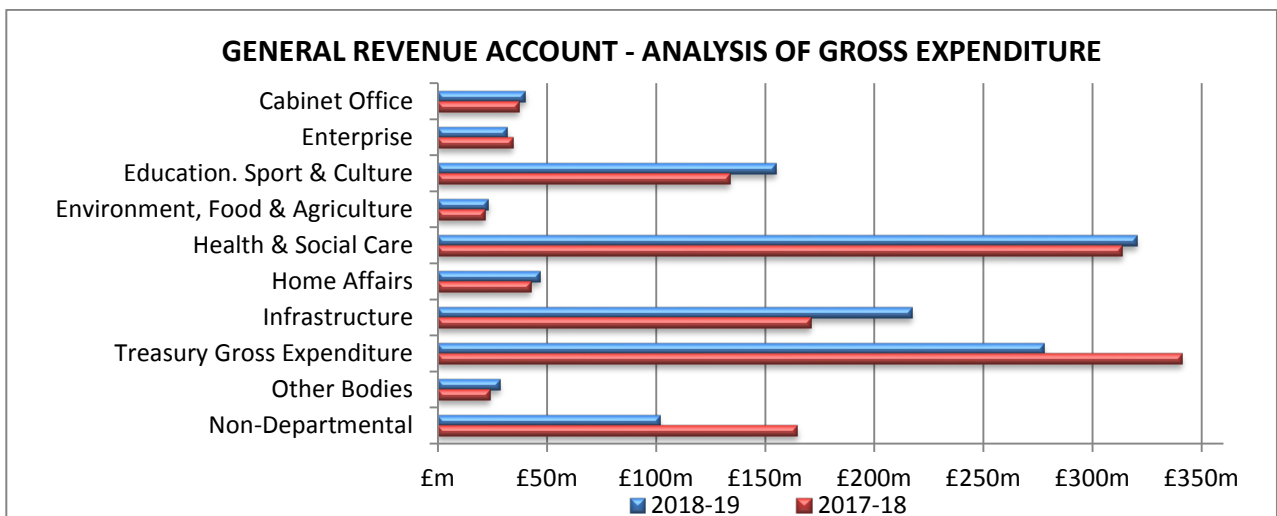
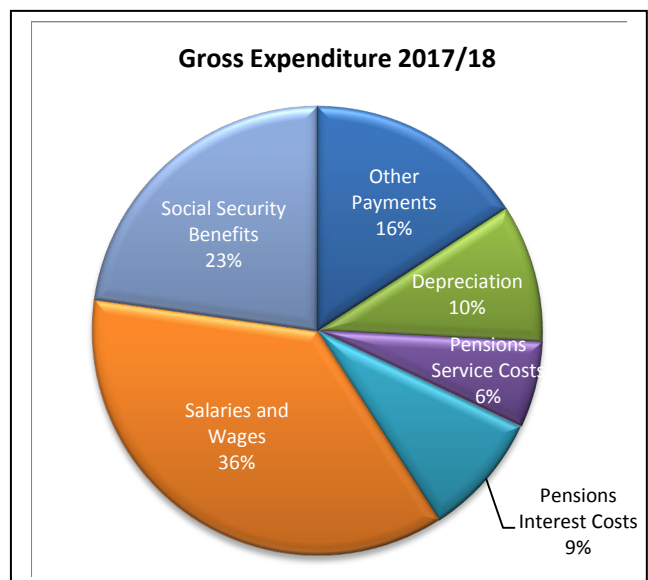
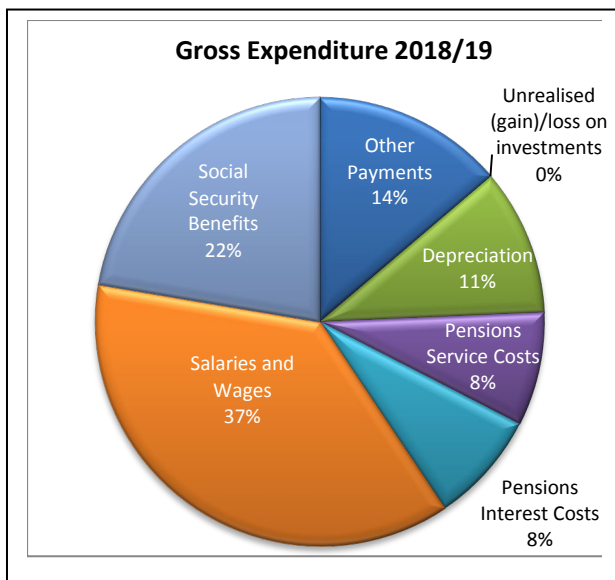
2.3.2 Expenditure

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

FRS102 requires that unrealised gains or losses on investments are included within the Income and Expenditure Account. This has had quite a significant impact. In 2018/19 there was an unrealised gain of £32.6 million (and therefore reported in income), in 2017/18 there was an unrealised loss of £60.4 million (reported as expenditure).

Gross expenditure was £1,280.7 million (2017/18: £1,282.8 million). Department expenditure now includes a contribution for employee pension costs although that is reported as income within Executive Government and is therefore just a change to internal presentation.

Pension interest costs included were £100 million (2017/18: £102 million; see note 7.24.6) and this reflects the estimated impact of inflation on existing pension liabilities between the annual actuarial valuations of the pension scheme liabilities.



The 'Non-Departmental' costs above include the interest cost on the pensions of £100 million (2017/18 £102 million).

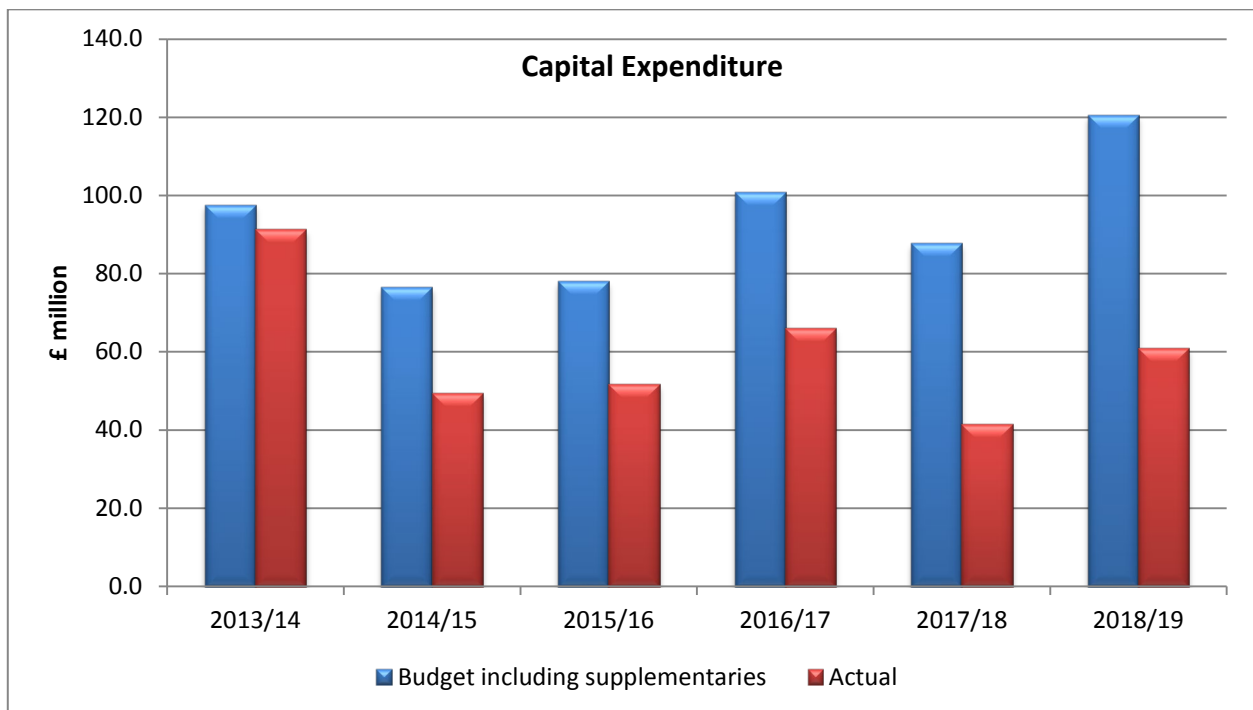


2.3.3 Capital Expenditure

Total capital expenditure for the year was £60.8 million (2017/18: £41.5 million). This compares with the original budget of £120 million.

Supplementary Votes totalling £6.4 million were approved in 2018/19. £0.7 million was approved for St Mary’s Extension Scheme and £5.6 million was approved for column 1 and 2 adjustments. Column 1 and 2 adjustments include £2.9m for the Strategic Highway Refurbishment Programme, £2.1m for MCW on assets owned by the Department of Education, Sport and Culture and £0.4m for the Bus Fleet Replacement Programme.

The use of capital contingency funding was for work amounting to £1.3 million on the Victoria Pier Scour, £0.4 million on airport security, £0.4 million on the co-location of Scoill Vallajeelt - St Thomas and £0.3m for storm damage work required due to the Beast from the East.



	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Budget	97.5	76.5	78.0	100.8	87.6	120.4
Actual	91.2	49.5	51.6	66.1	41.5	60.8
Actual as a % of budget	94%	65%	66%	66%	47%	50%

The balance on the Capital Fund at the end of the year was £813.4 million (2017/18: £797.9 million) and the cash remaining available for capital expenditure was £62.8 million (2017/18: £58.8 million).

Further information on capital and the consolidated loans fund is given in section 9.

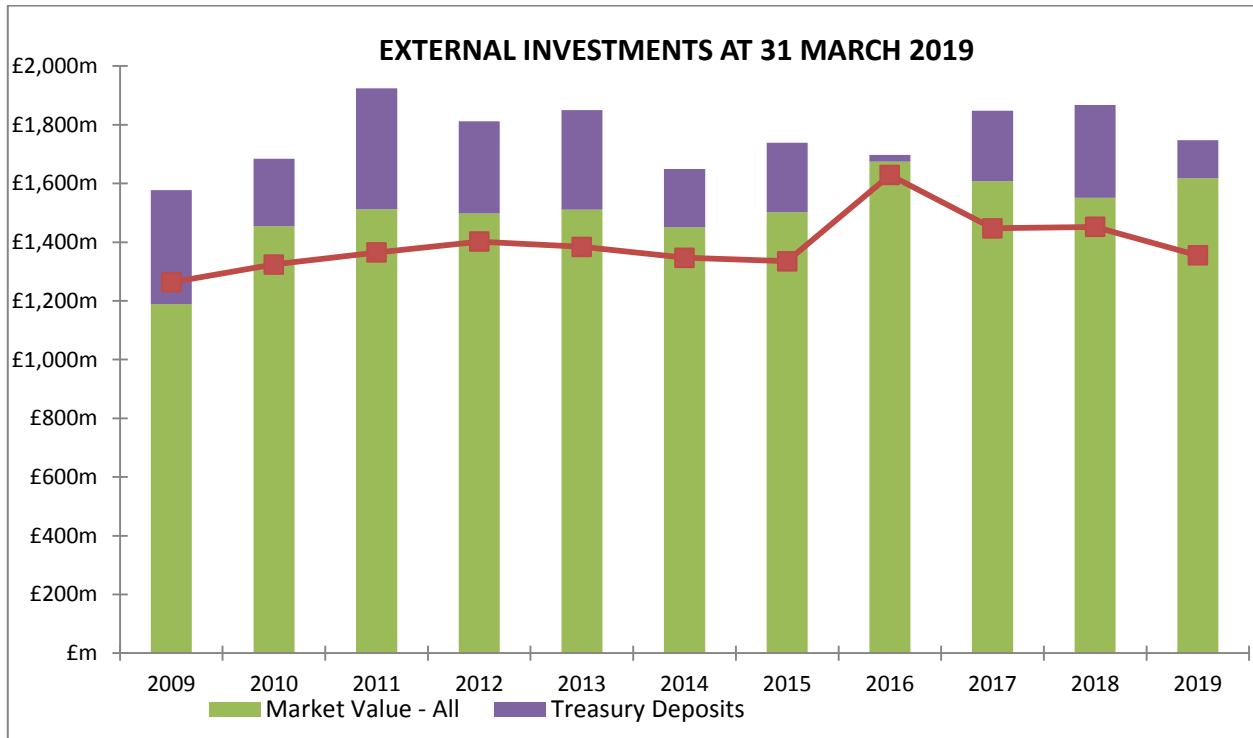


2.3.4 Reserve Funds

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

In 2018/19 the market value of the investments (net of transfers into and out of the funds) increased by £65.5 million to £1,617.2 million (2017/18: decrease of £55.9 million to £1,551.7 million). See note 7.14.2.

Treasury Deposits reduced by £185.8 million to £130.1 million primarily due to the purchase of the Isle of Man Steam Packet Group (2017/18: increased by £75.6 million).



2.3.5 Transfers from Reserve Funds

The deficit for the year excluding reserve fund income was £168.1 million (2017/18: deficit of £250.2 million).

There was no requirement to transfer money from the Reserve Fund to balance the revenue position (2017/18 also nil) but there were transfers totalling £32 million to the other funds (2017/18 £5.4 million).

As a result, the retained balance on the General Revenue Account reduced by £1.3 million to £89.9 million (2017/18: increased by £28.5 million to £91.2 million), see page 20.



2.3.6 Other Balances

Fixed Assets (Note 7.10)

The value of fixed assets decreased by £109.5 million to £2,016 million (2017/18: decreased by £71.4 million to £2,126 million) after depreciation charges of £103 million (2017/18: £95.5 million). During the year freehold land and building fixed assets and vehicle, plant and equipment fixed assets with a NBV of £10.9 million were disposed of.

Long Term Debtors (Note 7.16.1)

Long term debtors increased by £77.9 million to £531.8 million (2017/18: £453.9 million) predominantly due to the long term loan provided by Treasury, a department of the Isle of Man Government, to the Isle of Man Steam Packet Group (previously MIOM Ltd) on acquisition.

General Revenue Adjustments Account (Note 7.23.2)

The balance on the General Revenue Adjustments Account increased by £543.7 million to (£1,883) million mainly as a consequence of the movement in fixed assets and in pensions charges (2017/18: decreased by £47.1 million to £1,339.3 million).

Internal Investments (Note 7.23.4)

The value of internal investments increased by £4.9 million to £66.4 million (2017/18: increase of £5.6 million to £61.5 million, both net of expenditure) as a result of £12 million of transfers from the General Revenue Account to the reserve funds during the year.

Pension Scheme Liability (Note 7.24.4)

The pension scheme liability in respect of Government pension schemes increased by £448 million during the year to £4,171 million (2017/18: reduced by £100 million to £3,723 million), principally due to an actuarial loss of £324 million (2017/18: gain of £223 million).

The actuarial loss is the result of changes in financial assumptions primarily due to a decrease in the real discount rate resulting from reduced corporate bond yields together with a slight increase in expected future CPI inflation.



2.4 Group Accounts

2.4.1 Contribution from Statutory Boards

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

The combined operational surplus for these bodies was £28.2 million (2018/19: surplus of £7.3 million). The increase in the surplus is primarily due to the acquisition of the Isle of Man Steam Packet Group.

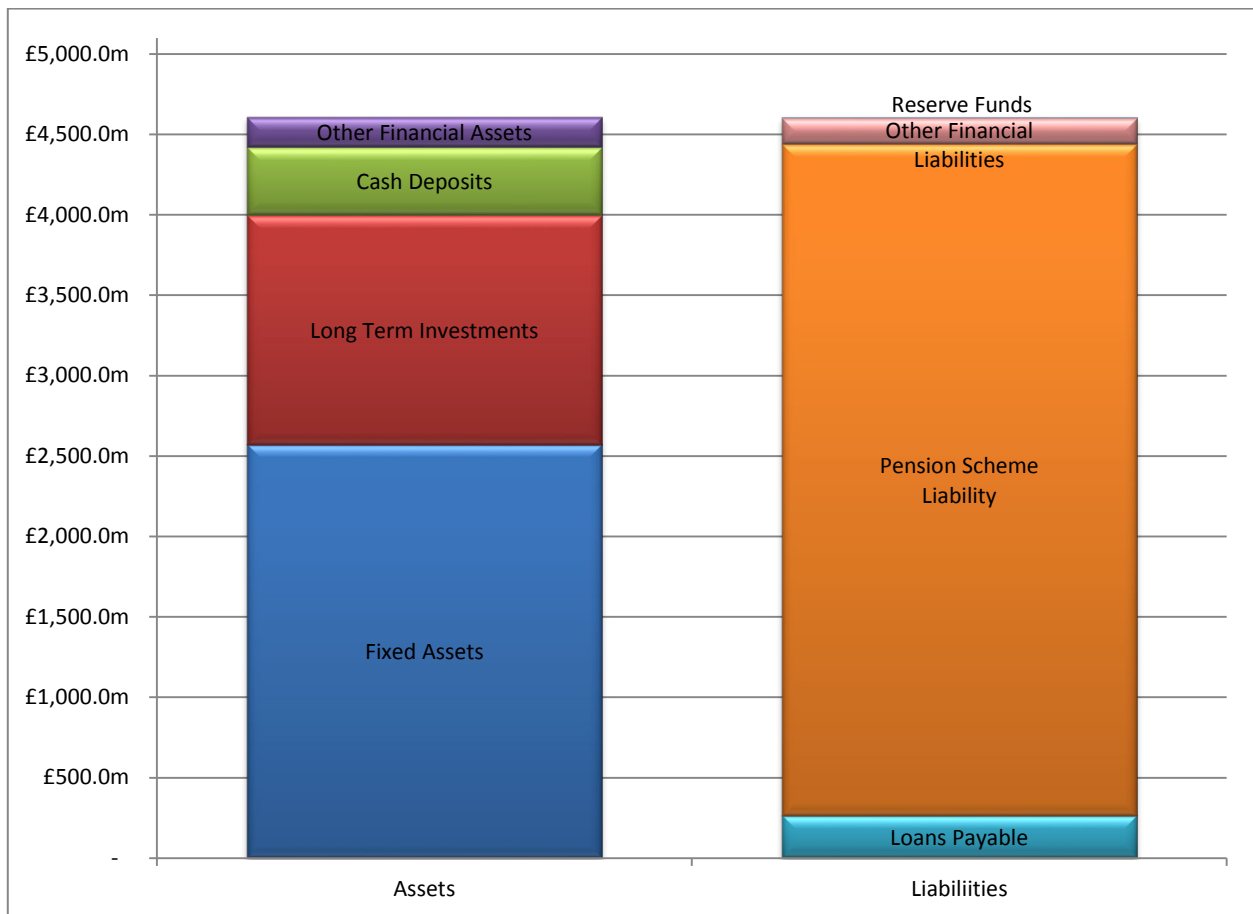
However, the surplus reduces to a net surplus of £11.2 million (2017/18: net surplus of £80.2 million) after taking into account net interest charges of £23.4 million (2017/18: £22.3 million), interest income of £1.6 million (2017/18 £1.3 million) an unrealised gain on forward purchases of £2.7 million (2017/18: unrealised gain of £2.4 million), an unrealised gain on investments of £2.6 million (2017/18: unrealised loss of -£1.4 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). The Isle of Man Post Office will not be providing Treasury with a dividend from 2019/20.

2.4.3 Balance Sheet

The group balance sheet can be summarised as follows:





3 Statement of Responsibilities for the Statement of Accounts

The Treasury's Responsibilities

The Treasury is required to:

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

The Treasury and the Chief Financial Officer's Responsibilities

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

The Accounts and Audit Regulations 2018 made under the Audit Act 2006 require the Chief Financial Officer to prepare accounts for each financial year in accordance with UK Accounting Standards including FRS 102: The Financial Reporting Standard applicable in the UK and Ireland (as applicable to an Isle of Man entity).

The Treasury must not approve the accounts unless it is satisfied that they give a true and fair view of the state of affairs of the Isle of Man Government and of its surplus or deficit for that period. In preparing the Isle of Man Government's accounts, the Treasury and Chief Financial Officer are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated accounts; and
- comply with the Accounts and Audit Regulations 2018.
- assess the Group and Central Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Central Government or to cease operations, or have no realistic alternative but to do so.

The Chief Financial Officer is responsible for keeping adequate accounting records that are sufficient to show and explain the Isle of Man Government's transactions and disclose with reasonable accuracy at any time the financial position of the Isle of Man Government and enable them to ensure that the accounts comply with the Accounts and Audit (Amendment) Regulations 2018 made under the Audit Act 2006. The Chief Financial Officer is responsible for such internal control as it determines is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Isle of Man Government and to prevent and detect fraud and other irregularities.

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 2019 and the financial position of Isle of Man Government as at 31 March 2019.

C Randall

Chief Financial Officer. Treasury Department

Date: 13 December 2019



4 Statement on Internal Control - Year ended 31 March 2019

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 Accountable 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 Accountable Officers of all parts of Government (being the designated bodies set out in the extract reproduced in the appendix); who have provided assurance that they, and their relevant financial and senior officers, have taken responsibility for having in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal.

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

4.2 The Risk Management and Control Framework

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

These foundations set the overall framework for internal control, and the particular responsibilities of the Ministers, Members, Accountable 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 Accountable Officer.

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

4.3 Review of Effectiveness

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

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



Statement on Internal Control (Continued)

4.4 Management Assurances

To inform my review of effectiveness I have considered the views of Accountable 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 Accountable Officers and managers have given specific consideration to each of the following operating risks within their areas of responsibility:

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

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

4.5 System of Internal Audit

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

I am informed by the Director of Audit Advisory Division that the results of the work undertaken during the 2018-19 assurance programme provide adequate (reasonable) assurance on the overall adequacy and effectiveness of the Government's framework of governance, risk management and control; with the exception of the Department of Health and Social Care Acute Services (due to a limitation of scope) and the other issues highlighted below.

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

Treasury's Audit Advisory Division also maintain a robust system of review in relation to the reporting of Financial Irregularities within Government and it is noted that there have been instances over the period where concerns have been raised over the appropriate application of Treasury's Financial Regulations, in particular those relating to the procurement of goods and services.

In addition, Audit Advisory provide an independent appeal service in relation to Tenders undertaken by Departments and the Attorney General's Chambers.

4.6 External Reviews

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

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



Statement on Internal Control (Continued)

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

- the recurring overspending at Nobles Hospital;
- the provision of Health & Social Care (the Independent Review led by Sir Jonathan Michael).

4.7 Key Improvements Made

There have been several significant improvements made to the management of Government's risks:

- the continuing implementation of the recommendations made by the MONEYVAL committee;
- a modernised set of Financial Regulations issued by the Treasury (which form a key element of the framework for Government's internal system of financial control);
- the introduction of a National Cyber Security Strategy.

4.8 Planned Areas for Review

There are several significant risk areas that are currently subject to substantial or ongoing review and these include:

- Data Protection and in particular compliance with the General Data Protection Regulation;
- BREXIT preparedness;
- the delivery of the five year financial plan for sustainable finances;
- Government's Core Human Resources & Payroll systems (the People Information Programme);
- the governance framework in relation to the Government and the Manx Museum and National Trust;
- the relationship between Government and the Isle of Man Airport and the associated governance framework;
- the transformation of the Isle of Man Health and Social Services;
- the governance of the Government Capital Programme and a review of its financing and delivery;
- the development of a Treasury financial advisory service providing support for Government Departments and the establishment of a finance profession;
- the impact of Government's approach to tackling climate change.

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

Signed:
C Randall
Chief Financial Officer, Treasury

Appendix

The Isle of Man Corporate Governance Principles and Code of Conduct apply to all "designated bodies" and "departments of Government" within the meaning of the Treasury Act 1985.

The following were "designated bodies" for the purpose of the 2018-19 SIC:

all departments (Cabinet Office; Department of Education, Sport and Culture; Department for Enterprise; 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.



Statement on Internal Control (Continued)

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

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

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

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



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

5.1 Basis on the Accounts

We have audited the Accounts of the Isle of Man Government for the year ended 31 March 2019 which comprise the Income and Expenditure Accounts (Group and Central Government), the Statement of Total Movement on the General Revenue Account Balance (Group and Central Government), the Statement of Comprehensive Income (Group and Central Government), the Balance Sheet (Group and Central Government), the Statement of Changes in Equity, the Cash Flow Statement (Group and Central Government) and the related notes, including the accounting policies in Note 7. Central Government Accounts comprise Departments, Offices and revenue-funded Statutory Boards of Isle of Man Government. Group Accounts comprise Central Government plus the two non-revenue Funded Statutory Boards and companies owned by Central Government.

In our opinion the Accounts:

- give a true and fair view of the state of the Group's and Central Government's affairs as at 31 March 2019 and of the Group's and Central Government's deficit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, as applicable to an Isle of Man entity and as modified by any Directions issued by Treasury under Section 13 of the Audit Act 2006;
- have been properly prepared in accordance with the requirements of the applicable law and UK Accounting Standards as applicable to an Isle of Man entity, as modified by the Accounts and Audit Regulations 2018 made under the Audit Act 2006.

5.2 Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

5.3 The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity and this is particularly the case in relation to Brexit.

5.4 Going Concern

Treasury have prepared the Accounts on going concern basis as they do not intend to liquidate the Group and the Central Government or to cease its operations, and as they have concluded that the Group's and the Central Government's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Accounts ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Accounts. In our



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

5.4 Going Concern (continued)

evaluation of the Treasury's conclusions, we considered the inherent risks to the Group's and to the Central Government's business model, including the impact of Brexit and analysed how those risks might affect the Group's and Central Government's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Authority will continue in operation.

5.5 Other Information

Treasury is responsible for the other information presented with the Accounts. Our opinion on the Accounts does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Accounts audit work, the information therein is materially misstated or inconsistent with the Accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

5.6 We review the Statement of Internal Control prepared by the Treasury in accordance with the Accounts and Audit Regulations 2018 made under the Audit Act 2006. We report if the Statement of Internal Control 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. Matters on which we are required to report by exception

In accordance with section 6(2) of the Audit Act 2006, we are required to include a statement in our audit report providing particulars where in relation to the Accounts we:

- (a) are not satisfied as to any of the matters specified in section 4(1) of the Audit Act 2006;
- (b) consider that any matter specified in section 4(2) of the Audit Act 2006 is contrary to law, or;
- (c) consider that the relevant body has failed in any respect mentioned in section 4(3) of the Audit Act 2006.

As stated in paragraph 4.5 on page 15 of the Accounts, there were instances where Treasury's Financial Regulations were not appropriately applied, including those relating to the procurement of goods and services.

With regard to section 4(3) of the Audit Act 2006, recommendations in respect of internal control matters identified during the course of our audit are reported to Treasury in a separate Management Letter document.

Except as noted above, we have nothing to report in respect of the matters on which we are required to report by exception.

5.7 The Treasury's and the Chief Financial Officer's responsibilities

As explained more fully in the Responsibilities Statement set out on page 14, the Treasury and the Chief Financial Officer are responsible for: the preparation of the Accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Accounts that are free from material misstatement, whether due to fraud or error; assessing Central Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate Central



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

5.7 The Treasury's and the Chief Financial Officer's responsibilities (continued)

Government or to cease operations, or have no realistic alternative but to do so. Treasury are responsible for approving the Accounts.

5.8 Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Accounts. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

5.9 The purpose of our audit work and to whom we owe our responsibilities

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.

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

13 December 2019



6 Statement of Accounts

6.1 Income and Expenditure Account – Reconciliation

INCOME & EXPENDITURE ACCOUNT RECONCILIATION						
A	2018-19					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	369,703	-	-	13,880	-	383,583
Income Tax	237,742	-	-	(1,546)	-	236,196
Social Security	212,041	-	-	-	-	212,041
Other Treasury Income	10,503	-	-	(279)	(500)	9,724
Treasury Reserves Income	-	-	-	50,777	-	50,777
Total Treasury Income	829,989	-	-	62,832	(500)	892,321
Other Departments						
Cabinet Office	(30,714)	(2,469)	(5,310)	16	-	(38,477)
Enterprise	(17)	(962)	(2,642)	(469)	-	(4,090)
Education, Sport & Culture	(102,302)	(21,634)	(21,412)	(14)	-	(145,362)
Environment, Food & Agriculture	(16,042)	(500)	(2,544)	(84)	1,996	(17,174)
Health & Social Care	(220,147)	(6,516)	(36,901)	-	-	(263,564)
Home Affairs	(35,109)	656	(10,661)	(10)	-	(45,124)
Infrastructure	(63,578)	(88,710)	(11,608)	3,383	-	(160,513)
Treasury Gross Expenditure	(312,864)	(101)	(4,269)	(241)	1,375	(316,100)
	(780,773)	(120,236)	(95,347)	2,581	3,371	(990,404)
Other bodies						
Executive Government	(10,895)	-	74,750	(2)	-	63,853
Manx National Heritage	(4,445)	98	(876)	(19)	-	(5,242)
Road Transport Licensing Committee	-	-	-	-	-	-
Statutory Boards (Revenue Funded)	1,382	(142)	(2,172)	(1,606)	-	(2,538)
	(13,958)	(44)	71,702	(1,627)	-	56,073
Expenses of the Legislature	(4,569)	340	(355)	-	-	(4,584)
Net Voted Income/(Expenditure)	30,689	(119,940)	(24,000)	63,786	2,871	(46,594)
Statutory Boards (Non-Revenue Funded)						
Isle of Man Post Office	-	-	-	-	(655)	(655)
Manx Utilities Authority	-	-	-	-	16,324	16,324
	-	-	-	-	15,669	15,669
Owned Companies						
Laxey Glen Mills Limited	-	-	-	-	(22)	(22)
Radio Manx Limited	-	-	-	-	(858)	(858)
Isle of Man Steam Packet Group	-	-	-	-	10,471	10,471
Isle of Man Meat Company Ltd	-	-	-	-	(1,723)	(1,723)
	-	-	-	-	7,868	7,868
Interest payable and similar charges	-	-	(100,000)	(1,586)	(19,761)	(121,347)
Interest and investment income	-	-	-	-	2,697	2,697
Gain on forward purchases	-	-	-	-	2,666	2,666
Unrealised loss on investments	-	-	-	32,676	-	32,676
Total Surplus/(Deficit)	30,689	(119,940)	(124,000)	94,876	12,010	(106,365)
Statement of Total Movement in General Revenue Account Balance						
Depreciation of fixed assets	-	133,728	-	-	-	133,728
Amortisation of intangible assets	-	103	-	-	-	103
Net loss on disposal of fixed assets	-	-	-	-	-	-
Net charges made for retirement benefits	-	-	124,000	-	-	124,000
Unrealised gain on investments	-	-	-	(32,676)	-	(32,676)
Other adjustments	-	-	-	(16,880)	-	(16,880)
Loan Charges for Capital Financing	-	(41,093)	-	-	-	(41,093)
Net Capital Expenditure charge in-year	-	56,674	-	-	-	56,674
Net transfer to earmarked reserves	-	-	-	(106,792)	(12,010)	(118,802)
Increase/(Decrease) in General Revenue Account	30,689	29,472	-	(61,472)	-	(1,311)

All results derive from continuing activities. The Notes on pages 30 to 91 form part of these Accounts.



6.1 Income and Expenditure Account – Reconciliation (continued)

Notes:

- i. Column B shows the amounts originally reported in the Detailed Government Accounts (GD 2019/0037) in July 2019, showing the Surplus of £30.689 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 22.
- 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 24 of the audited Government Accounts, to result in the 'Increase/(decrease) in General Revenue Account balance', the resultant deficit for the year of -£1.3 million.



6.2 Income and Expenditure Account – Group

INCOME & EXPENDITURE ACCOUNT					
	<i>Note</i>	Group			
		2018-19			2017-18
		Gross Spend £000	Gross Income £000	Net (Spend)/ Income £000	Net (Spend)/ Income £000
Treasury Department					
Customs and Excise	7.3.1	-	383,583	383,583	358,814
Income Tax	7.3.2	-	236,196	236,196	229,928
Social Security	7.3.3	-	212,041	212,041	208,703
Other Treasury Income	7.3.4	-	9,724	9,724	9,103
Treasury Reserves Income	7.3.5	-	50,777	50,777	69,596
Sub-Total Treasury Income		-	892,321	892,321	876,144
Government Departments					
Cabinet Office		(40,068)	1,591	(38,477)	(34,952)
Enterprise		(31,678)	27,588	(4,090)	(5,141)
Education, Sport & Culture		(154,800)	9,438	(145,362)	(130,156)
Environment, Food & Agriculture		(21,014)	3,840	(17,174)	(18,253)
Health & Social Care		(320,306)	56,742	(263,564)	(259,209)
Home Affairs		(46,410)	1,286	(45,124)	(41,272)
Infrastructure		(217,224)	56,711	(160,513)	(115,788)
Treasury Gross Expenditure		(326,850)	-	(326,850)	(338,700)
Sub-total Government Departments		(1,158,350)	157,196	(1,001,154)	(943,471)
Other Bodies					
Executive Government		(5,463)	69,316	63,853	62,317
Manx National Heritage		(6,337)	1,095	(5,242)	(4,773)
Road Transport Licensing Comm.		-	-	-	-
Statutory Boards (Revenue Funded)		(11,729)	9,191	(2,538)	(629)
Sub-total Other Bodies		(23,529)	79,602	56,073	56,915
Legislature		(4,641)	57	(4,584)	(5,036)
Sub-total Central Government	7.4.2	(1,186,520)	1,129,176	(57,344)	(15,448)
Statutory Boards (Non-Revenue Funded)					
Isle of Man Post Office		-	(655)	(655)	(920)
Manx Utilities Authority		-	16,324	16,324	5,394
		-	15,669	15,669	4,474
Owned Companies					
Isle of Man Film Limited		(26)	26	-	-
Laxey Glen Mills Limited		(22)	-	(22)	(8)
Radio Manx Limited		(858)	-	(858)	(913)
Isle of Man Steam Packet Group		-	10,471	10,471	-
Isle of Man Meat Company Ltd		(1,723)	-	(1,723)	-
		(2,629)	10,497	7,868	(921)
Surplus/(Deficit) before Interest		(1,189,149)	1,155,342	(33,807)	(11,895)
Interest payable and similar charges	7.7	(121,347)	-	(121,347)	(122,744)
Interest and investment income		-	2,697	2,697	1,319
Gain/(loss) on forward purchases		-	2,666	2,666	2,436
Unrealised gain/(loss) on investments		-	32,676	32,676	(60,424)
Surplus/(Deficit) for the year		(1,310,496)	1,193,381	(117,115)	(191,308)

All results derive from continuing activities. The Notes on pages 30 to 91 form part of these Accounts.



6.3 Income and Expenditure Account – Central Government

Income and Expenditure Account					
Central Government					
2018-19					
2017-18					
	<i>Note</i>	Gross Spend £000	Gross Income £000	Net (Spend)/ Income £000	Net (Spend)/ Income £000
Treasury Department					
Customs and Excise	7.3.1	-	383,583	383,583	358,814
Income Tax	7.3.2	-	236,196	236,196	229,928
Social Security	7.3.3	-	212,041	212,041	208,703
Other Treasury Income	7.3.4	-	10,224	10,224	10,603
Treasury Reserves Income	7.3.5	-	50,777	50,777	69,596
Total Treasury		-	892,821	892,821	877,644
Other Departments					
Cabinet Office	8.2	(40,068)	1,591	(38,477)	(34,952)
Enterprise	8.2	(31,678)	27,588	(4,090)	(5,141)
Education, Sport & Culture	8.2	(154,800)	9,438	(145,362)	(130,156)
Environment, Food & Agriculture	8.2	(23,010)	3,840	(19,170)	(18,253)
Health & Social Care	8.2	(320,306)	56,742	(263,564)	(259,209)
Home Affairs	8.2	(46,410)	1,286	(45,124)	(41,272)
Infrastructure	8.2	(217,224)	56,711	(160,513)	(115,788)
Treasury Gross Expenditure	8.2	(317,475)	-	(317,475)	(340,775)
Sub-total Government Departments		(1,150,971)	157,196	(993,775)	(945,546)
Other bodies					
Executive Government	8.2	(5,463)	69,316	63,853	62,317
Manx National Heritage	8.2	(6,337)	1,095	(5,242)	(4,773)
Statutory Boards (Revenue Funded)	8.2	(11,729)	9,191	(2,538)	(629)
		(23,529)	79,602	56,073	56,915
Legislature	8.2	(4,641)	57	(4,584)	(5,036)
Total Expenditure	8.2	(1,179,141)	236,855	(942,286)	(893,667)
Net Voted Income	7.4.2	(1,179,141)	1,129,676	(49,465)	(16,023)
Surplus before Interest					
Interest payable and similar charges	7.7	(101,586)	-	(101,586)	(103,690)
Interest and investment income		-	1,127	1,127	-
Unrealised gain/(loss) on investments		-	32,581	32,581	(60,903)
(Deficit) for the year		(1,280,727)	1,163,384	(117,343)	(180,616)

All results derive from continuing activities. The Notes on pages 30 to 91 form part of these Accounts.



6.4 Statement of Total Movement on the General Revenue Account Balance

MOVEMENT ON THE GENERAL REVENUE ACCOUNT BALANCE				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £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 impairment of fixed assets	133,728	117,868	103,999	95,910
- Amortisation of Other Intangible Assets	10,853	-	360	-
- Net (gain) or loss on disposal of fixed assets	-	(600)	-	(600)
- Net charges made for retirement benefits	124,000	122,999	124,000	122,999
- Unrealised loss / (gain) on investments	(32,676)	60,424	(32,581)	60,903
- Other adjustments	(16,880)	94,929	(16,880)	(71)
	219,025	395,620	178,898	279,141
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	(41,093)	(39,174)	(41,093)	(39,174)
- Net Capital Expenditure charge in-year to the General Revenue Adjustment Account	56,674	8,638	56,674	8,638
	15,581	(30,536)	15,581	(30,536)
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	(118,802)	(145,279)	(78,447)	(39,492)
	(118,802)	(145,279)	(78,447)	(39,492)
Net additional amount required to be credited / (charged) to the General Revenue Account balance	115,804	219,805	116,032	209,113
(Deficit)/Surplus for the year on the Income and Expenditure Account	(117,115)	(191,308)	(117,343)	(180,616)
Decrease/(increase) in General Revenue Account balance for the year	(1,311)	28,497	(1,311)	28,497
- General Revenue Account balance brought forward	91,213	62,716	91,213	62,716
General Revenue Account balance carried forward	89,902	91,213	89,902	91,213

The Notes on pages 30 to 91 form part of these Accounts.



6.5 Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Income and Expenditure Account – surplus/(deficit) for the year		(117,115)	(191,308)	(117,343)	(180,616)
Other Comprehensive Income:					
- Surplus on revaluation of fixed assets	7.10	(20,772)	(1,047)	(20,879)	-
- Re-measurement of net defined benefit obligation	7.24.8	(321,109)	234,889	(324,000)	223,000
Total other comprehensive income for the year		(341,881)	233,842	(344,879)	223,000
Total comprehensive income for the year		(458,996)	42,534	(462,222)	42,384

The Notes on pages 30 to 91 form part of these Accounts.



6.6 Balance Sheet

BALANCE SHEET					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Long Term Assets					
Tangible Fixed Assets	7.10	2,510,460	2,602,518	2,016,060	2,125,593
Intangible Assets	7.10.5	90,542	447	241	420
Long Term Investments	7.14.1	1,337,412	1,318,565	1,386,164	1,318,565
Long Term Debtors	7.16.1	23,542	26,627	531,790	453,900
		3,961,956	3,948,157	3,934,255	3,898,478
Current Assets					
Stocks and Work in Progress	7.17	15,304	11,693	5,651	4,602
Debtors and Prepayments	7.16.2	147,927	64,900	129,294	65,745
Financial Assets	7.22.2	4,162	2,803	-	-
Short Term Deposits		308,224	345,666	286,807	343,656
Investments		2,912	-	-	-
Cash at Bank and in Hand	7.18	104,757	204,420	73,179	159,066
		583,286	629,482	494,931	573,069
Current Liabilities					
Creditors	7.19.1	(77,565)	(80,798)	(47,577)	(67,576)
Finance Debt	7.19.1	(10,256)	(6,370)	(1,930)	(1,818)
Pension Scheme Liability		(500)	-	-	-
Loans Payable	7.18.2	(454)	(3,450)	-	-
Bank Overdrafts	7.18.1	(15,089)	(11,985)	(15,082)	(11,909)
		(103,864)	(102,603)	(64,589)	(81,303)
Net Current Assets		479,422	526,879	430,342	491,766
Long Term Liabilities					
Loans Payable	7.21.2	(264,251)	(264,311)	(262,287)	(262,075)
Pension Scheme Liability	7.24.3	(4,177,892)	(3,726,016)	(4,171,000)	(3,723,000)
Finance Debt	7.19.2	(44,258)	(50,688)	(23,707)	(25,637)
Deferred Income and Provisions	7.19.2	(13,098)	(12,856)	-	-
		(4,499,499)	(4,053,871)	(4,456,994)	(4,010,712)
Total Net Assets/(liabilities)		(58,121)	421,165	(92,397)	379,532
Represented by					
Net General Revenue Account		89,902	91,213	89,902	91,213
General Revenue Adjustments Account	7.23.2	(1,881,010)	(1,337,333)	(1,882,953)	(1,339,276)
Hospital Estates Development Fund	7.14.5 i	32,968	35,137	32,968	35,137
Manx Currency Account	7.14.5 i	86,562	84,453	86,562	84,453
Media Development Fund	7.14.5 i	16,411	21,400	16,411	21,400
National Insurance Fund	7.14.5 ii	913,953	858,964	913,953	858,964
Public Service Employees Pension Reserve	7.14.5 i	117,324	144,609	117,324	144,609
Reserve Fund	7.14.5 i	386,423	351,325	386,423	351,325
MUA Bond Repayment Fund	7.14.5 i	70,438	58,622	70,438	58,622
Enterprise Development Fund	7.14.5 i	10,155	11,539	10,155	11,539
Internal Funds and Reserves	7.23.5	98,753	101,236	66,420	61,546
		(58,121)	421,165	(92,397)	379,532

The notes on pages 30 to 91 form part of these Accounts.



6.6 Balance Sheet (continued)

The accounts were approved by Treasury on the 13th December 2019 and signed on its behalf by:

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

.....C Randall, Chief Financial Officer

6.7 Cash Flow Statement

CASH FLOW STATEMENT					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Net Cash Inflow / (Outflow) from Operating Activities	7.29	(43,636)	70,872	(100,441)	19,839
Cash flow from Investing Activities					
Interest received		13,857	16,437	29,610	27,042
Investment income		56,259	73,669	56,259	73,670
Net (purchases)/sales of investments		(35,603)	(57,030)	(36,679)	(58,948)
Payments to acquire tangible fixed assets		(138,509)	(118,784)	(124,247)	(107,779)
Proceeds from disposal of tangible fixed assets		26,253	7,708	26,184	6,015
Repayments		79,730	75,826	92,711	75,786
Deferred income received - customers' contributions		507	-	-	-
Net cash generated from investing activities		2,494	(2,174)	43,838	15,786
Cash flow from Financing Activities					
Repayment of loan		(5,852)	(1,171)	(2)	-
New loan finance arranged		(66,703)	4,539	(75,354)	-
Repayment of lease finance		(4,632)	(8,975)	1,818	1,716
Interest paid		(14,773)	(24,529)	(14,163)	(14,163)
Net cash generated from / (used in) financing activities		(91,960)	(30,136)	(87,701)	(12,447)
Net increase/(decrease) in cash & cash equivalents		(133,102)	38,562	(144,304)	23,178
Cash and cash equivalents at the beginning of the year		216,085	176,445	201,283	178,105
Exchange gains/(losses) on cash and cash equivalents		(118)	1,078	-	-
Cash and cash equivalents at the end of the year		82,865	216,085	56,979	201,283
Cash and cash equivalents comprises:					
Cash Balances	7.18.1	104,757	204,420	73,179	159,066
Short term deposits (maturity of 3 months or less)		308,224	345,666	286,806	343,656
Bank Overdrafts and Loans Payable	7.18.2	(330,116)	(334,001)	(303,006)	(301,439)
Total		82,865	216,085	56,979	201,283

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

The Notes on pages 30 to 91 form part of these Accounts.



6.8 Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY - GROUP					
	Net General Revenue Account £000	General Revenue Adjustments Account £000	External Funds £000	Internal Funds and Reserves £000	Total Equity £000
Balance at 31 Mar 17	62,716	(1,290,208)	1,620,433	6,717	399,658
2017-18					
Surplus/(Deficit) for the year	23,147	(188,822)	(18,599)	(7,034)	(191,308)
Other Comprehensive Income	-	223,000	-	10,842	233,842
Total Comprehensive Income	23,147	34,178	(18,599)	3,808	42,534
Transfers	5,350	(81,303)	(35,785)	90,711	(21,027)
Total adjustment during the year	28,497	(47,125)	(54,384)	94,519	21,507
Balance at 31 Mar 18	91,213	(1,337,333)	1,566,049	101,236	421,165
2018-19					
Surplus/(Deficit) for the year	30,689	(207,476)	48,694	10,978	(117,115)
Other Comprehensive Income	-	(344,879)	-	2,998	(341,881)
Total Comprehensive Income	30,689	(552,355)	48,694	13,976	(458,996)
Transfers	(32,000)	8,678	19,491	(16,459)	(20,290)
Total adjustment during the year	(1,311)	(543,677)	68,185	(2,483)	(479,286)
Balance at 31 Mar 19	89,902	(1,881,010)	1,634,234	98,753	(58,121)

The Notes on pages 30 to 91 form part of these Accounts.



7 Notes to the Statement of Accounts

7.1 Accounting Policies

7.1.1 Basis of Preparation

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

The Accounts have been drawn up in accordance with the Audit Act 2006 and the Accounts and Audit Regulations 2018 as representing proper accounting practices, unless superseded by United Kingdom Accounting Standards.

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

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

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

The accounts are prepared using figures extracted from the Government financial systems rounded to the nearest thousand. This may cause some totals to appear as if they do not add up.

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. Issue costs are expensed over the life of the debt on an effective interest basis.

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



7.1 Accounting Policies (continued)

7.1.5 Tangible Fixed Assets (continued)

Depreciation

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

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

Depreciation Policy – Tangible Assets	
	Years
Land and Buildings	
Land (freehold)	None
Buildings (freehold)	20-40 years
Land and Buildings (leasehold)	Over period of lease
Vehicles, Plant and Equipment	
Vehicles	5-10 years
Plant – short term	3-9 years
Plant – long term	10-30 years
Specialist	5-10 years
Conventional ferries	30 years
Fast ferries	15 years
Infrastructure Assets	
Impounding Reservoirs	150 years
Coastal Defences	40-60 years
Distribution networks	40-60 years
Highways	10-30 years
Bridges and Constructs	30-40 years
Footpaths and Permanent ways	30 years
Railway Permanent Way	20-40 years

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

Revaluation

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

Subsequent Additions and Major Components

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

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



7.1 Accounting Policies (continued)

7.1.5 Tangible Fixed Assets (continued)

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.



7.1 Accounting Policies (continued)

7.1.8 Intangible Fixed Assets (continued)

The cost of intangible assets acquired in business combinations are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

The following estimated useful lives are applied:

Depreciation Policy - Intangible Assets	
	Years
Software	3 years
Sea Services Agreement	Period of agreement (2026)
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 Accounting Policies (continued)

7.1.9 Financial Instruments

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

Financial Assets

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

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

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

Financial Assets (continued)

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

Financial Liabilities

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

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

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

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

Offsetting

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



7.1 Accounting Policies (continued)

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.

7.1.11 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.



7.1 Accounting Policies (continued)

7.1.16 Pension Costs (continued)

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

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

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

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

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

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

7.1.17 Reserves

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

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

7.1.18 Provisions and Contingencies

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

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

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



7.1 Accounting Policies (continued)

7.1.19 Exceptional Items, Extraordinary Items and Prior Year Adjustments

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

7.1.20 Events after the Balance Sheet date

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

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

7.1.21 Basis of Consolidation

Central Government Accounts

The Central Government Accounts show the transactions and balances for Central Government as a single entity, as defined by the Accounts and Audit Regulations 2018. 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), PSPA, Offices of Government and the Legislature, Manx National Heritage and the Financial Intelligence Unit.

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

Group Accounts

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

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

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

Accounting Year

The Accounting Year used for reporting purposes is the twelve months ending 31 March each year, as defined in the Accounts and Audit Regulations 2018. During the year Treasury, a department of the Isle of Man Government, acquired the Isle of Man Steam Packet Group Limited (previously MIOM Limited) which has a year end of the 31st December 2018. In accordance with FRS 102 the consolidated accounts include the twelve months to the 31st December as the three months to the 31st March 2019 are not materially different. Department of Environment, Forestry and Agriculture purchased controlling shares of 50% in the Isle of Man Meat Company Limited on the 29th March 2018. The company incorporated on the 9th January 2019 resulting in a long period of account from incorporation to the 31st March 2019.



7.1 Accounting Policies (continued)

7.1.21 Basis of Consolidation (continued)

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, Laxey Glen Mills Limited, Isle of Man Steam Packet Group and Isle of Man Meat Company 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.

7.1.22 Business Combinations

Business combinations are accounted for under the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At the acquisition date, the company recognises goodwill at the acquisition date as:

- The fair value of the consideration (excluding contingent consideration) transferred; plus
- The estimated amount of contingent consideration (see below); plus
- Directly attributable costs; less
- The net fair value of the identifiable assets acquired and liabilities and contingent liabilities consumed.

Consideration which is contingent on future events is recognised based on the estimates amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

7.2 Critical Accounting Judgements and Estimation Uncertainty

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

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

7.2.1 Valuation and useful economic lives of tangible assets

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

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

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



7.2.2 Defined benefit pension scheme

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

7.2.3 Provisions

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

7.3 Analysis of Treasury Income

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

7.3.1 Customs and Excise

CUSTOMS AND EXCISE INCOME				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Shared Revenue				
Value Added Tax	340,137	314,257	340,137	314,257
Excise Duty	31,657	31,528	31,657	31,528
Cost of Collection				
Adjustment	(1,200)	199	(1,200)	199
Non-Shared Revenue				
Gambling Duty	5,312	5,199	5,312	5,199
Air Passenger Duty	5,531	5,054	5,531	5,054
Lottery Duty	1,310	1,891	1,310	1,891
Non-Revenue Receipts	836	686	836	686
Total	383,583	358,814	383,583	358,814

Notes:

- Income reported in the Detailed Government Accounts was £369.7 million (2017-18 £358.7 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	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Resident Tax	58,038	55,204	58,038	55,204
Company Tax	10,145	15,662	10,145	15,662
Non Resident Tax	19,912	14,133	19,912	14,133
Income Tax Instalment Payments (ITIP)	146,962	141,943	146,962	141,943
Sub-Contractors	2,525	3,005	2,525	3,005
EU Savings Directive	5	-	5	-
Other	(1,391)	(19)	(1,391)	(19)
Total	236,196	229,928	236,196	229,928

Notes:

- Income reported in the Detailed Government Accounts was £237.7 million (2017-18 £232.9 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	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
National Insurance Fund				
Contributions - Class 1	201,274	191,438	201,274	191,438
Contributions - Class 2	1,502	1,590	1,502	1,590
Contributions - Class 3	391	414	391	414
Contributions - Class 4	3,947	4,268	3,947	4,268
Less: allocated to Manx NHS	(39,665)	(38,510)	(39,665)	(38,510)
Contributions Equivalent Premium	44	50	44	50
Agency Settlement With UK DHSS	44,946	50,945	44,946	50,945
Class 1 National Insurance Refunds	(223)	(1,225)	(223)	(1,225)
Class 2 National Insurance Refunds	(49)	(50)	(49)	(50)
Class 3 National Insurance Refunds	(15)	(5)	(15)	(5)
Class 4 National Insurance Refunds	(204)	(284)	(204)	(284)
Property Rents	72	72	72	72
Interest On Investments	21	-	21	-
TOTAL	212,041	208,703	212,041	208,703

* 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	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Contribution from IOM PO	1,000	-	1,500	1,500
Fines and Fixed Penalties	888	799	888	799
Interest on Investments:				
- Manx Currency Account	(29)	(94)	(29)	(94)
- Reserve Fund	7,308	7,734	7,308	7,734
Miscellaneous income	557	664	557	664
Total	9,724	9,103	10,224	10,603

7.3.4 Other Treasury Income (continued)

Notes:

- Compared to the Detailed Government Accounts, income of £279k (from Assurance Advisory Division, Legal Aid and Corporate Strategy) has been transferred to net off with Treasury expense in order to remain consistent with the prior year.

7.3.5 Treasury Reserves Income

TREASURY RESERVES INCOME				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
External Funds				
- Investment Income	37,197	38,636	37,197	38,636
sub-total Investment Income	37,197	38,636	37,197	38,636
- Net Profit on Sale of Investments	17,401	34,942	17,401	34,942
<i>Less income within the above already transferred to Other Treasury Income:</i>				
- Manx Currency Account	29	94	29	94
- Reserve Fund	(7,308)	(7,734)	(7,308)	(7,734)
Internal Funds				
- Investment Income	692	717	692	717
- Sales of Properties (Housing Res. Fund)	2,239	2,602	2,239	2,602
- Other Receipts (Seized Asset Fund)	527	339	527	339
Total	50,777	69,596	50,777	69,596

Notes:

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



7.4 Surplus/(Deficit) for the Year

7.4.1 The Surplus/(Deficit) for the Year

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

SURPLUS/(DEFICIT) FOR THE YEAR IS ARRIVED AT AFTER CHARGING:					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Auditors' remuneration	7.9	186	169	129	113
Depreciation	7.10	133,728	117,405	103,999	95,461
Amortisation	7.10.5	10,853	463	360	449
Pension costs	7.24.6	207,119	199,671	202,000	197,000
Irrecoverable VAT		336	342	-	-
(Loss) / gain on disposal of fixed assets		13	(11,370)	-	600
Rentals payable under leases		8,183	8,137	3,699	3,576

Notes:

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

7.4.2 Department Expenditure

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

RECONCILIATION OF DEPARTMENTAL EXPENDITURE				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Total Revenue Expenditure, per Section 8	(799,300)	(788,104)	(799,300)	(788,104)
<u>Accounting Standards Adjustments</u>				
Fixed Assets Adjustments	(119,940)	(64,774)	(119,940)	(64,774)
Pension Adjustments	(24,000)	(20,999)	(24,000)	(20,999)
Other	953	(19,790)	954	(19,790)
<u>Consolidation Adjustments</u>				
Treasury - Grant to MUA	500	1,200	-	-
Treasury - Manx Radio Subvention	875	875	-	-
Treasury - Amortisation of Intangibles	(10,750)	-	-	-
DEFA - Grant to IOM Meat Company	1,996	-	-	-
Net Voted Expenditure	(949,666)	(891,592)	(942,286)	(893,667)
Treasury Income	892,322	876,144	892,821	877,644
Net Voted Income	(57,344)	(15,448)	(49,465)	(16,023)

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).



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	
	2018-19	2017-18	2018-19	2017-18
£350,000 to £374,999	-	-	-	1
£325,000 to £349,999	-	1	-	1
£300,000 to £324,999	3	-	3	-
£275,000 to £299,999	7	-	7	-
£250,000 to £274,999	3	4	3	4
£225,000 to £249,999	9	11	9	11
£200,000 to £224,999	15	9	15	9
£175,000 to £199,999	15	23	15	23
£150,000 to £174,999	18	22	18	22
£125,000 to £149,999	37	26	36	25
£100,000 to £124,999	54	56	52	54
£75,000 to £99,999	199	166	190	155
£50,000 to £74,999	847	784	764	716

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	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Total Compensation Paid/Payable	4,902	4,084	2,840	2,892

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	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Isle of Man Treasury Bond 2034	(10,156)	(10,803)	-	-
Isle of Man Treasury Bond 2030	(4,219)	(4,219)	-	-
Consolidated Loans Fund	-	-	-	-
Local Authority loan interest	(89)	(146)	-	-
Lease finance	(4,855)	(5,793)	(1,586)	(1,690)
Other finance charges	(54)	(35)	-	-
Rates discounts allowed	-	(1)	-	-
Unrealised gain/(loss) on currency balances	(118)	1,078	-	-
Amortisation of bond issue expenses	(505)	(505)	-	-
Net interest expense on post-employment benefits	(101,351)	(102,320)	(100,000)	(102,000)
Total	(121,347)	(122,744)	(101,586)	(103,690)

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	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Within one year	10,670	5,945	2,013	1,936
Between one and five years	23,607	20,532	5,359	4,423
After five years	2,493	343	996	343
Total	36,770	26,820	8,368	6,702

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

OPERATING LEASES - RECEIVABLE				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Within one year	6,626	9,511	5,383	8,286
Between one and five years	22,332	31,766	17,351	26,866
After five years	68,379	99,882	34,058	65,582
Total	97,337	141,159	56,792	100,734

Note: Where lease is linked to inflation, a rate of 2% has been used. Where leases are pooled and not all are linked to inflation, no inflationary increase has been taken into account. This is consistent with prior year.



7.9 External Audit Fees

EXTERNAL AUDIT FEES				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Fees payable with regard to external audit services carried out by the appointed auditors	186	169	129	113
Fees payable with regard to other services carried out by the appointed auditors	206	206	204	204
	392	375	333	317

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.

In line with auditor rotation requirements, a tender process was conducted during 2019 which has resulted in the appointment of Grant Thornton Limited for the 2019/20 Central Government external audit for a period of 3 years.

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.

Grant Thornton Limited (previous firms, including PKF (Isle of Man) LLC), are the appointed auditors of Local Authority and related accounts and are due to retire next year. A tender process is currently in progress to appoint the future auditors. Grant Thornton Limited is also the appointed external auditor of Laxey Glen Mills Limited and PricewaterhouseCoopers LLC is the appointed external auditor of Radio Manx Limited. The audit fees for each of these are included within the Group figures.



7.10 Fixed Assets

7.10.1 Summary of Fixed Assets

SUMMARY OF FIXED ASSETS - NET BOOK VALUE					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Tangible Fixed Assets	7.10.3	2,510,460	2,602,518	2,016,060	2,125,593
Intangible Fixed Assets	7.10.5	90,542	447	241	420
Total		2,601,002	2,602,965	2,016,301	2,126,013

7.10.2 Valuations

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

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

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

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

- 2018/19 – Department of Infrastructure
- 2019/20 – Department of Health and Social Care and the Department of Education, Sport and Culture
- 2020/21 – Department of Environment, Forestry and Agriculture and Home Affairs



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 2018					
Cost or Valuation	1,446,947	469,499	1,855,765	19,925	3,792,633
Accumulated Depreciation	(347,858)	(290,641)	(551,559)	-	(1,190,115)
Net Book Value	1,099,089	178,858	1,304,206	19,925	2,602,518
Year end 31 March 2019					
Opening Net Book Value	1,099,089	178,858	1,304,206	19,925	2,602,518
Acquisition of subsidiary	-	30,013	-	-	30,013
Reclassifications	12,431	(12,432)	4	(181)	(178)
Additions	4,563	16,079	15,053	8,147	43,842
Disposals	(9,257)	(705)	(988)	-	(10,950)
Transfers	3,844	246	-	(4,090)	-
Depreciation	(51,495)	(25,889)	(56,343)	-	(133,727)
Revaluations/Impairment	(15,205)	(438)	(5,234)	-	(20,877)
Impairment	-	-	-	(181)	(181)
Closing Net Book Value	1,043,970	185,732	1,256,698	23,620	2,510,460
As at 31 March 2019					
Cost	1,460,786	500,894	1,869,784	23,620	3,855,581
Accumulated Depreciation	(416,816)	(315,162)	(613,086)	-	(1,345,121)
Closing Net Book Value	1,043,970	185,732	1,256,698	23,620	2,510,460

Notes

During the year Isle of Man Treasury purchased 100% of the shareholding in the Isle of Man Steam Packet group (previously MIOM Ltd). The fair value of the tangible fixed assets acquired amounts to £30m (see note 7.30.1).

Included within tangible fixed assets at 31 March 2018 is freehold land amounting to £64.1 million (2017/18: £56.9 million) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £54.9 million (2017/18: £58.1 million). Depreciation of £3.2 million (2017/18: £3.2 million) was charged in the year on these assets.

During the year the departmental revaluation exercise was undertaken on the Department of Infrastructure. This alongside an impairment review resulted in negative adjustments totalling of £21.1 million across the asset groups.



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 2018					
Cost / Valuation	1,382,757	166,202	1,400,540	19,767	2,969,266
Accumulated Depreciation	(321,076)	(122,089)	(400,508)	-	(843,673)
Net Book Value	1,061,681	44,113	1,000,032	19,767	2,125,593
Year end 31 March 2019					
Opening Net Book Value	1,061,681	44,113	1,000,032	19,767	2,125,593
Reclassifications	12,431	(12,432)	4	(181)	(178)
Additions	4,532	6,454	7,608	7,875	26,469
Disposals	(9,257)	(701)	(988)	-	(10,946)
Transfers	3,844	246	-	(4,090)	-
Depreciation	(49,949)	(7,646)	(46,404)	-	(103,999)
Revaluations/Impairment	(15,205)	(438)	(5,236)	-	(20,879)
Impairment	-	-	-	-	-
Closing Net Book Value	1,008,077	29,596	955,016	23,371	2,016,060
As at 31 March 2019					
Cost	1,396,598	158,745	1,407,112	23,371	2,985,826
Accumulated Depreciation	(388,521)	(129,149)	(452,096)	-	(969,766)
Net Book Value	1,008,077	29,596	955,016	23,371	2,016,060

Included within tangible fixed assets at 31 March 2019 is freehold land amounting to £59.2 million (2017/18: £52.1 million) which has not been depreciated.

During the year assets were reclassified primarily between freehold land and buildings and vehicles, plant and machinery. This reclassification occurred to separate a grouped asset into individual component assets. A reclassification of £0.2 million occurred between assets under the course of construction and intangibles.

A revaluation and impairment exercise was completed across the Department of Infrastructure and all assets respectively. This identified a number of assets, primarily freehold buildings, which required impairment of £21.1 million.

The net book value of fixed assets held under finance leases and hire purchase contracts was £11.1 million (2017/18: £13.3 million). Depreciation of £2.2 million (2017/18: £2.2 million) was charged in the year on these assets

**7.10.5 Intangible fixed assets**

INTANGIBLE FIXED ASSETS		
	Group	Central Government
	Intangible Assets £000	Intangible Assets £000
As at 31 March 2018		
Cost or Valuation	1,927	1,886
Accumulated Depreciation	(1,480)	(1,466)
Net Book Value	447	420
Year end 31 March 2019		
Opening Net Book Value	447	420
Acquisition of IOMSPG	101,089	-
Reclassifications	181	181
Additions	(429)	-
Amortisation	(10,853)	(360)
Revaluations	107	-
Closing Net Book Value	90,542	241
As at 31 March 2019		
Cost	102,875	2,067
Accumulated Depreciation	(12,333)	(1,826)
Closing Net Book Value	90,542	241

During the year the Treasury, a department of the Isle of Man Government, acquired the Isle of Man Steam Packet Group Limited (previously MIOM Limited). The assets acquired include intangible assets of £101.1 million, calculated as the difference between the consideration of £48.8 million and the fair value of £52.3 million net liabilities acquired, which is deemed to represent the fair value of the remaining period of the sea services agreement as at the date of acquisition (see note 7.30.1).

Other Intangible fixed assets mainly consist of purchased software packages.

During the year £0.2 million was reclassified between assets in the course of construction and intangible assets.



7.11 Heritage Assets

7.11.1 Nature and scale of assets

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

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

Heritage Assets currently include:

- Land and Buildings – such as Snaefell, The Sound, Cregneash, Skye Hill, Castle Rushen, Peel Castle, Rushen Abbey, Laxey Wheel, The Grove Museum, the Old House of Keys and the old Grammar School.
- Transport – including the Horse Trams, Electric Railway, Mountain Railway, Steam Railway.
- Other Artefacts – such as Paintings, ornaments, Viking hoards of silver and gold plus items such as the 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 of Trustees. Overall governance is provided in legislation by the Manx Museum and National Trust Act 1959. The Act determines that the Trust shall operate a Museum and shall keep the Museum and any additions thereto in good order and repair. The Museum shall be used for storing, classifying, and exhibiting objects of art, or of antiquarian, scientific, literary, historical, or educational interest, whether the property of such Trust or of any other person or body.

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

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

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

Accounting treatment of Heritage Assets

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

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



7.11.2 Heritage Assets – Group

The Isle of Man Post Office owns a number of heritage assets that are not included in the balance sheet position at 31 March 2019. 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 2019 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 2019-20 (GD 2019/0001).

CAPITAL COMMITMENTS				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Central Government	9,757	12,557	9,757	12,557
Manx Utilities Authority	2,012	2,012	-	-
Total	11,769	14,569	9,757	12,557



7.13 Financial Instruments

The Group has the following financial instruments:

FINANCIAL INSTRUMENTS					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Financial assets at fair value through profit or loss:					
- Long term investments	7.14.1	1,337,412	1,318,565	1,386,164	1,318,565
- Derivative financial instruments	7.22.2	4,162	2,803	-	-
Financial assets that are debt instruments measured at amortised cost:					
- Loans receivable	7.16.1	24,653	27,865	540,408	468,539
- Trade debtors	7.16.2	35,089	24,433	12,288	14,569
- Other debtors	7.16.2	111,139	38,705	108,388	36,537
- Short term deposits		308,224	345,666	286,807	343,656
- Cash at bank	7.18	104,757	204,420	73,179	159,066
		583,862	641,089	1,021,070	1,022,367
Total Assets		1,925,436	1,962,457	2,407,234	2,340,932
Financial liabilities at fair value through profit or loss:					
- Derivative financial instruments	7.22.2	3,479	79	-	-
Financial liabilities measured at amortised cost:					
- Loans payable	7.21.2	279,340	276,296	277,369	273,984
- Trade creditors	7.19.1	17,928	12,495	8,906	9,005
- Accruals	7.19.1	40,485	40,793	30,953	31,446
- Other creditors	7.19.1	8,999	10,674	7,718	10,289
- Financial leases	7.22.1	44,258	50,688	23,707	25,637
- Retirement benefit obligation	7.24.3	4,178,392	3,726,016	4,171,000	3,723,000
		4,569,402	4,116,962	4,519,653	4,073,361
Total Liabilities		4,572,881	4,117,041	4,519,653	4,073,361



7.14 Long Term Investments

7.14.1 Investments

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

GROUP INVESTMENTS VALUE BY ASSET CLASS				
	Market Value	Book Value	Market Value	Book Value
	31 March 2019	31 March 2019	31 March 2018	31 March 2018
	£000	£000	£000	£000
Property	600	408	725	408
Investment in Films	1,289	1,289	7,031	7,031
United Kingdom Fixed Interest	340,647	331,654	392,939	381,635
United Kingdom Equities	340,623	319,201	342,226	328,182
Overseas Fixed Interest	64,360	61,153	42,306	42,667
Overseas Equities	470,428	374,839	448,558	374,381
Other Investments	119,465	116,879	84,780	84,905
TOTAL	1,337,412	1,205,423	1,318,565	1,219,209

The Central Government investments differs by £48.8 million which represents the investment in the Isle of Man Steam Packet Group (previously MIOM Limited) and is eliminated on consolidation.

7.14.2 Balances on Externally Managed Funds

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

GROUP BALANCES ON EXTERNALLY MANAGED FUNDS				
	Market Value	Book Value	Market Value	Book Value
	31 March 2019	31 March 2019	31 March 2018	31 March 2018
	£000	£000	£000	£000
Long Term Investments	1,337,412	1,205,423	1,318,565	1,219,209
Cash & Cash Instruments	194,060	194,032	154,237	154,159
Cash funds held by Treasury	85,720	85,719	78,912	78,912
Total	1,617,192	1,485,174	1,551,714	1,452,280

Notes

- i. The majority of funds are valued through listed holdings on the open market.
- ii. The Media Development Fund is not traded on an open market and is valued by an industry expert, being £16.4 million at 31 March 2019 (2017/18: £21.4 million). The valuation is based on the original investment less write-downs & provisions. When determining the level of write down to recommend to Treasury, the advisors consider to what extent sums invested into productions are unlikely to materialise into recoupment returns, as a result of changing market sales conditions.



7.14.3 Financial Risk

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

1. Investments

Investment Manager Risk

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

In order to mitigate risk and achieve satisfactory diversification, several investment managers are appointed (2018/19: 5; 2017/18: 5) and the portfolio is spread amongst them, as this limits the risk exposure with any single investment manager.

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

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

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

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

Market Risk

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



	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.	

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.

2. Cash

Treasury considers cash management guidelines at least once per year. The guidelines were last amended and approved by Treasury in October 2018. 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 40% 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 30% 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+	40%	24 months
F1 with G-SIFI status	40%	12 months
F1 and F2 (without G-SIFI status)	30%	12 months (up to a maximum of £20 million in excess of 3 months)
F2	5%	1 month
F3 and no Fitch Rating	£1,000,000	1 month

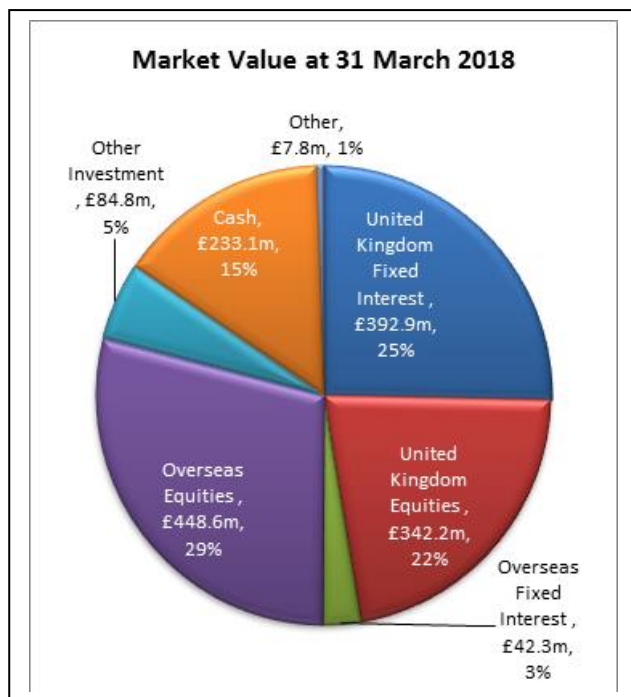
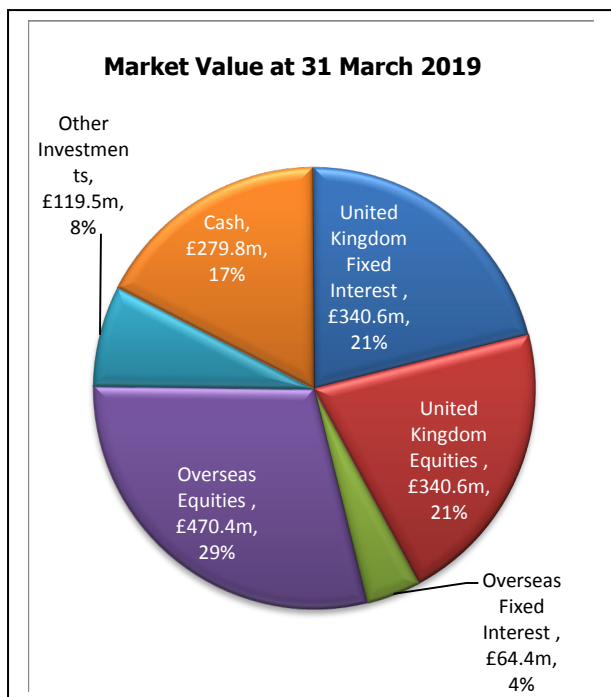
- e. The maximum to be deposited with subsidiaries of any one banking group is based on the lowest rated relevant subsidiary.
- f. A maximum limit of £1,000,000 in cash deposits may be held with any individual institution or group that has an F3 rating or does not have a credit rating.

¹ Global Systematically Important Financial Institutions

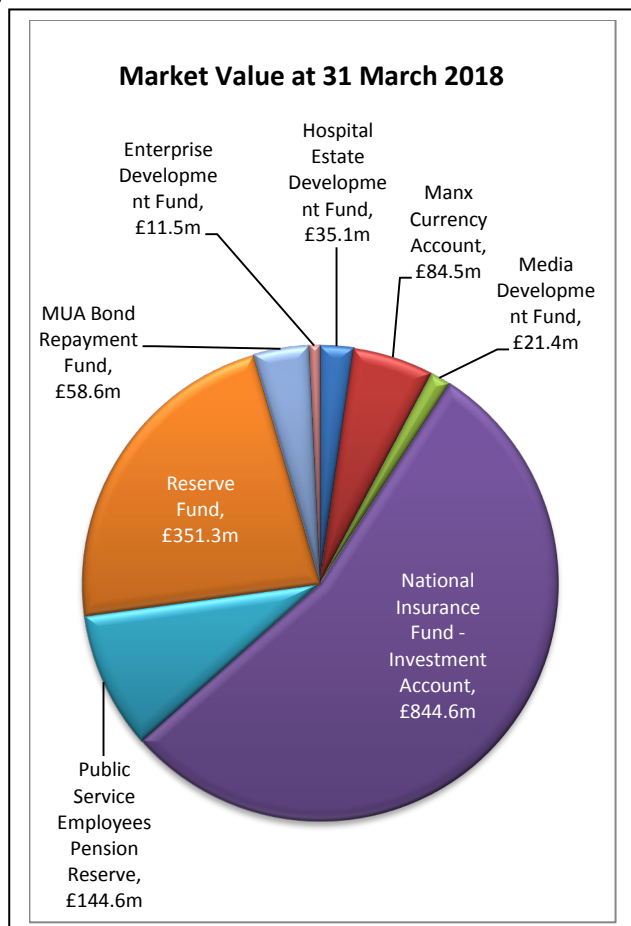
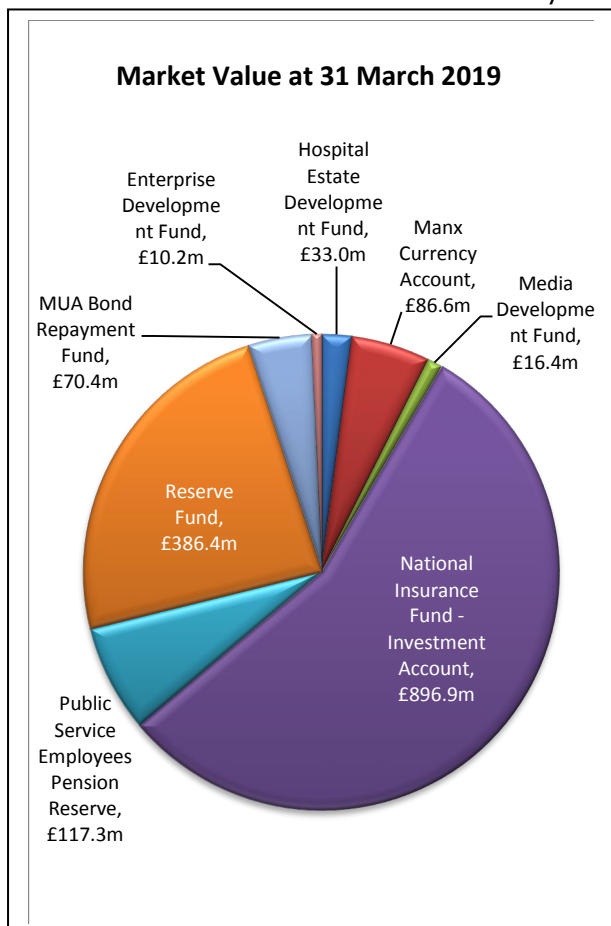


7.14.4 Market Value of Externally Managed Funds

The total market value of externally managed fund assets held at 31 March 2019 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 2018 £000	Income			Unrealised gain/(loss) on Investments £000	Expenditure & Transfers to Internal Accounts £000	Balances Carried Forward 31 March 2019 £000
		Contributions Seizures & Other £000	Investment Income £000	Net Profit on Sale of Investments £000			
Hospital Estate Development Fund	35,137	-	916	273	515	3,873	32,968
Manx Currency Account	84,453	2,014	1,032	107	118	1,162	86,562
Media Development Fund	21,400	-	98	(4,729)	-	358	16,411
National Insurance Fund - Investment Account	844,630	-	20,705	16,398	17,046	1,870	896,909
Public Service Employees Pension Reserve	144,609	-	3,135	2,941	1,460	34,822	117,323
Reserve Fund	351,325	-	9,972	3,426	10,949	(10,752)	386,424
MUA Bond Repayment Fund	58,622	8,000	1,282	175	2,493	134	70,438
Enterprise Development Fund	11,539	-	57	(1,190)	-	251	10,155
Total	1,551,715	10,014	37,197	17,401	32,581	31,718	1,617,190

Notes:

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

FUND VALUES				
	Market Value 31 March 2019 £000	Book Value 31 March 2019 £000	Market Value 31 March 2018 £000	Book Value 31 March 2018 £000
Hospital Estate Development Fund	32,968	32,499	35,137	35,183
Manx Currency Account	86,562	86,614	84,453	84,623
Media Development Fund	16,411	16,411	21,400	21,400
National Insurance Fund - Investment Account	896,909	814,641	844,630	779,408
Public Service Employees Pension Reserve	117,324	109,418	144,609	138,164
Reserve Fund	386,423	351,524	351,325	327,374
MUA Bond Repayment Fund	70,438	63,912	58,622	54,589
Enterprise Development Fund	10,155	10,155	11,539	11,539
TOTAL	1,617,190	1,485,174	1,551,715	1,452,280

**7.14.5 Movements on Externally Managed Funds (continued)**

- 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:

NI FUND		
	31 March 2019	31 March 2018
	£000	£000
Operating Account	17,044	14,334
Investment Account	896,909	844,630
Total	913,953	858,964

- iii. The face value of the Manx Currency in circulation at 31 March 2019 was £81.6 million (2017/18: £80.6million). At that date the Currency Account Surplus, being the amount by which the Manx Currency Account exceeds the face value of Manx Currency in circulation, was £5 million (2017/18: £4 million).
- iv. Included in the Enterprise Development Fund are unquoted investments amounting to £3,122,000 (2017/18 £3,085,000).

7.15 Government Owned Companies**7.15.1 Central Government**

The Isle of Man Government hold all the shares in the following eight companies, the accounts of which have been consolidated with the Government's Group Accounts in accordance with the Accounts and Audit (Amendment) Regulations 2019:

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%
Isle of Man Steam Packet Group Ltd	Passenger and freight ferry services	Isle of Man	100%
Isle of Man Meat Company Ltd	Procurement and processing of cattle sheep and pigs	Isle of Man	100%



7.15 Government Owned Companies (continued)

7.15.1 Central Government (continued)

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

Isle of Man Film Ltd ("IOMFL")

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

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

Laxey Glen Mills Ltd ("LGML")

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

Radio Manx Ltd ("RML")

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

Isle of Man Steam Packet Group Ltd (IOMSPGL)

On the 24th May 2018 Treasury, a department of the Isle of Man Government acquired the full shareholding of the IOMSPGL (formerly known as MIOM Ltd) for £48.8 million.

The group is run on an arm's length basis from Government.

Isle of Man Meat Company Ltd (IOMMCL)

The Department of Environment, Forestry and Agriculture (DEFA) provide an annual grant to the IOMMCL to meet operational costs. DEFA holds one 'G' share which holds voting and distribution rights. The remaining 50% is owned by Isle of Man Fat Stock Marketing Association Ltd who hold one 'A' share with no voting or distribution rights.

7.15.2 Group Accounts

Manx Utilities Authority

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

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

On 18 February 2019 a previous subsidiary company of Manx Utilities, PGT Limited, was dissolved. PGT Limited was incorporated on the Isle of Man on the 10th December 2001 and its principal activity was to construct the Pulrose Combined Cycle Gas Turbine power station for its customer, the Manx Electricity Authority; the company had been dormant for many years since the power station was completed.



7.15.3 Group Accounts (continued)

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 principal 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	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Loan Schemes				
Agricultural Holdings Scheme 1978	76	106	76	106
Agricultural Holdings Scheme 2000	485	516	485	516
Agricultural Credits Acts 1924-66	12	15	12	15
Fishing Industry	11	41	11	41
House Purchase Assistance Schemes	22,221	24,765	22,221	24,765
House Purchase Schemes	16	30	16	30
House Purchase & Refurbishment Scheme 1991	350	477	350	477
Royal British Legion Housing Association	-	338	-	338
Local Authorities	1,482	1,577	1,482	1,577
	24,653	27,865	24,653	27,865
Loans to Statutory Boards				
Manx Utilities Authority	-	-	440,401	440,634
e-Ilan Loan (MUA)	-	-	-	40
Isle of Man Steam Packet Group	-	-	75,354	-
Total Loans Outstanding	24,653	27,865	540,408	468,539
Due within 12 months	(1,111)	(1,238)	(8,618)	(14,639)
Total Due After 12 Months	23,542	26,627	531,790	453,900



7.16 Debtors and prepayments (continued)

7.16.1 Long Term Debtors (continued)

Notes:

- The criteria for the House Purchase Assistance schemes have varied across the years but in general have been offered at 1% below the Bank of England base rate. In 2014 a Shared Equity Scheme was introduced which offered a 2 year interest-free period then charged at 1%, increasing incrementally by 1% each subsequent year or Bank of England Base Rate plus 5% whichever is the lesser.
- The MUA loan includes Isle of Man Treasury Bonds that comprise a Bond with a £75 million nominal value at 5.625% per annum with a maturity date of 29 March 2030, and a Bond with a £185 million nominal value at 5.375% per annum with a maturity date of 14 August 2034. The balance of the loan amount relates to loans from the Capital Loans Fund.
- In 2008-09 an amount of £400,000 was advanced from The Economic Development Fund to fund the initial capital investment of e-Ilan Communications Limited. This loan is repayable over ten years.
- The Local Authority Loans are in respect of obligations taken on for sewer mains and sewerage assets transferred to the Authority prior to 2007.
- Interest payable on the Consolidated Loans Fund is at a variable interest rate as determined annually by Isle of Man Government Treasury. For the year under review the interest rate was set at 2% (2017/18: 1.5%).
- On the 24th May 2018 Treasury, a department of Isle of Man Government, entered into a loan agreement with Isle of Man Steam Packet Group (previously MIOM Ltd). Interest is payable six monthly at 2% plus base rate. Repayment is due prior to 24th May 2028.

7.16.2 Current Debtors

CURRENT DEBTORS				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Trade Debtors	35,089	24,433	12,288	14,569
Prepayments	587	524	-	-
Loan Schemes	1,111	1,238	8,618	14,639
Sub-total	36,787	26,195	20,906	29,208
Taxation Debtors	35,536	23,202	35,535	23,201
Other Debtors	75,603	15,503	72,853	13,336
Sub-total	111,139	38,705	108,388	36,537
Accrued Income Receivable	1	-	-	-
Total	147,927	64,900	129,294	65,745

Notes

- Included within Trade Debtors and Prepayments for both the Group and Central Government is an amount of £1.5 million (2017/18: £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 (2017/18: £1.1 million) has been applied against this balance to give a net balance of £0.4 million (2017/18: £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.



7.16 Debtors and prepayments (continued)

7.16.2 Current Debtors (continued)

- Other Debtors include an amount of £11 million (2017/18: £nil) payable by the United Kingdom’s HM Revenue & Customs in respect of the VAT sharing arrangement and a £46.9 million accrual payable by HMRC UK in respect of work and pensions, this was received on the 1st April 2019.

7.17 Stocks and Work in Progress

STOCKS AND WORK-IN-PROGRESS				
	Group		Central Government	
	2018-19	2017-18	2018-19	2017-18
	£000	£000	£000	£000
Raw Materials and Consumables	12,891	9,874	3,399	2,922
Work in Progress	1,188	1,980	1,188	1,980
Goods for Resale	1,225	889	1,064	750
Stock Provision	-	(1,050)	-	(1,050)
Total	15,304	11,693	5,651	4,602

Notes

- In 2017/18 the Department of Infrastructure started a full stock reconciliation exercise and as a result made a provision of £1.05 million against the stock balance.

7.18 Cash Balances

7.18.1 Cash Balances

CASH BALANCES				
	Group		Central Government	
	2018-19	2017-18	2018-19	2017-18
	£000	£000	£000	£000
Cash re: external funds	123,053	205,417	123,053	205,417
Cash re: loans fund	62,784	58,753	62,784	58,753
Other cash balances	(81,080)	(59,750)	(112,658)	(105,104)
Cash at Bank and in Hand	104,757	204,420	73,179	159,066
Bank Overdrafts	(15,089)	(11,985)	(15,082)	(11,909)
Total	89,668	192,435	58,097	147,157

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

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



7.18.2 Bank Overdrafts and Loans Payable

BANK OVERDRAFTS AND LOANS PAYABLE					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Current Liabilities					
Net Finance Debt	7.19.1	(6,094)	(3,567)	(1,930)	(1,818)
Loans Payable - LA		(454)	(3,450)	-	-
Bank Overdrafts and Loans Payable		(15,089)	(11,985)	(15,082)	(11,909)
		(21,637)	(19,002)	(17,012)	(13,727)
Long Term Liabilities					
Loans Payable - Bonds	7.21.2	(262,287)	(262,075)	(262,287)	(262,075)
Loans Payable - LA	7.21.2	(1,964)	(2,236)	-	-
Finance Debt	7.19.2	(44,258)	(50,688)	(23,707)	(25,637)
		(308,509)	(314,999)	(285,994)	(287,712)
Total		(330,146)	(334,001)	(303,006)	(301,439)

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

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

7.19 Creditors and Third Party Funds

7.19.1 Creditors: Amounts falling due within one year

CURRENT LIABILITIES					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Trade creditors		17,928	12,495	8,906	9,005
Accruals		40,485	40,793	30,953	31,446
Other creditors		8,999	10,674	7,718	10,289
Deferred income		10,153	16,836	-	-
Provision for repayment to UK HMRC		-	-	-	16,836
Sub-total		77,565	80,798	47,577	67,576
Finance debt	7.22	6,950	6,291	1,930	1,818
Derivatives		3,306	79	-	-
Sub-total		10,256	6,370	1,930	1,818
Total		87,821	87,168	49,507	69,394



7.19.2 Creditors: Amounts falling due after more than one year

LONG-TERM LIABILITIES					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Finance debt	7.22	44,085	50,688	23,707	25,637
Derivatives	7.22	173	-	-	-
Sub-total		44,258	50,688	23,707	25,637
Deferred income	7.20	13,022	12,856	-	-
Provisions		76	-	-	-
Sub-total		13,098	12,856	-	-
Total		57,356	63,544	23,707	25,637

7.20 Deferred Income

DEFERRED INCOME				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Falling due after more than one year				
Customers' Contributions				
Opening Balance	12,855	12,595	-	-
Received in the year	674	768	-	-
Released to I&E Account in the year	(507)	(507)	-	-
Closing Balance	13,022	12,856	-	-

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 (2017/18: £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.



7.21 Loans Payable (continued)

7.21.1 Central Government (continued)

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 million (2017/18: £2.2 million) due to local authorities by the Manx Utilities Authority. The loans are in respect of obligations taken on for sewer mains and sewerage assets transferred to the Authority prior to 2007.

The bonds are accounted for on an effective interest basis and include accrued interest applicable to the financial year 2018/19.

LOANS PAYABLE					
	Note	Group		Central Government	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
5.625% Bonds repayable March 2030		72,601	72,450	72,601	72,450
5.375% Bonds repayable August 2034		189,686	189,625	189,686	189,625
Local Authority loans taken over (MUA)		1,964	2,236	-	-
Total Long Term Loans		264,251	264,311	262,287	262,075
Bank Overdrafts	7.18.1	15,089	11,985	15,082	11,909
Total Loans Payable		279,340	276,296	277,369	273,984



7.22 Other Financial Assets and Liabilities

7.22.1 Finance leases

The future minimum finance lease payments are as follows:

FINANCE LEASE OBLIGATIONS				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Payments Due:				
Falling due within one year:				
Within one year	10,256	6,370	1,930	1,818
Falling due after one year:				
Between one and five years	32,096	35,966	11,590	10,917
Later than five years	12,162	14,722	12,117	14,720
Sub-Total	44,258	50,688	23,707	25,637
Total	54,514	57,058	25,637	27,455

Central Government

At 31 March 2019 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 2019 the annual rental of £3.4 million (2017/18: £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 10.7% per annum (2017/18: 10.7%), initially they were discounted at 5.5%. The effective interest rate has been reassessed based on the value of payments made each year. 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 31 March 2019 the Manx Utilities Authority had contracts in place for monthly commitments to purchase Euros at a predefined rate until March 2022. The total nominal amount of these contracts at 31 March 2019 was €22.4 million which equates to a Sterling commitment of £20.2 million (2017/18: €13.2 million, £11.7 million).



7.22.2 Derivatives

FINANCIAL ASSETS				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Forward purchases of currency	-	-	-	-
Forward purchase of natural gas	4,162	2,803	-	-
Total	4,162	2,803	-	-

FINANCIAL LIABILITIES				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Falling due within 1 year				
Forward purchase of natural gas	-	-	-	-
Forward purchases of currency	3,306	79	-	-
Sub-total	3,306	79	-	-
Falling due after 1 year				
Forward purchase of natural gas	-	-	-	-
Forward purchases of currency	173	-	-	-
Sub-total	173	-	-	-
Total	3,479	79	-	-

Derivative financial instruments – Forward Purchase Contracts

- The Manx Utilities Authority has entered into a number of contracts to purchase gas at a pre-determined price for delivery between April 2016 and March 2019, in order to hedge against gas price volatility. At the Balance Sheet date the amount of these commitments was £31.2 million (2017/18: £32.7 million).
- The contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward market price at the balance sheet date and the quantity of gas purchased. The fair value of the forward natural gas purchase contracts is an asset of £1.1 million (2017/18: £2.8 million), being the market value of the contracts of £32.2 million (2017/18: £35.5 million) less the contractual commitments of £31.2 million.
- Additionally, the Manx Utilities Authority enters into forward contracts to purchase Euros in order to protect against foreign currency exchange volatility on charges paid in respect of the Gas Interconnector and the Spur Pipeline, which are invoiced in Euros. At the Balance Sheet date Manx Utilities had contracts in place for monthly commitments to purchase Euros at a pre-defined rate until March 2022. The nominal amount of these contracts at 31 March 2019 was €22.4 million which equates to a Sterling commitment of £20.2 million (2017/18 €13.2 million, £11.7 million).
- The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for Sterling to Euros. The fair value of the forward foreign currency contracts is an asset of £0.5 million (2017/18: 0.3 million), being the market value of the contracts of £19.7 million (2017/18: £11.6 million) less the contractual commitments of £20.2 million (2017/18: 11.7 million).



7.23 Movements on Reserves

7.23.1 Net General Revenue Account

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

7.23.2 General Revenue Adjustments Account

GENERAL REVENUE ADJUSTMENTS ACCOUNT				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Balance brought forward	(1,337,333)	(1,290,208)	(1,339,276)	(1,292,151)
Fixed assets adjustments	(104,893)	(145,181)	(104,893)	(145,181)
Pensions adjustments	(448,000)	100,000	(448,000)	100,000
Other	9,216	(1,944)	9,216	(1,944)
Total	(1,881,010)	(1,337,333)	(1,882,953)	(1,339,276)

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

7.23.3 External Funds and Reserves

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

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



7.23.4 Internal Funds – Central Government

INTERNAL FUNDS - CENTRAL GOVERNMENT						
Internal Revenue Fund or Reserve	Balances brought Forward 1 Apr 18 £000	Income			Expenditure	Balances Carried Forward 31 Mar 19 £000
		Transfers to/from Operating Account £000	Contributions Seizures & other £000	Investment Income £000	Transfers to Internal Accounts £000	
Academic Business Planning Fund	967	-	838	10	610	1,205
Agriculture and Forestry Fund	2,364	-	-	18	1,010	1,372
Brexit Fund	1,006	1,000	-	14	110	1,909
Contingency Fund	8,283	-	-	62	1,110	7,235
Digital Strategy Fund	7,138	-	-	59	1,879	5,318
Economic Development Fund	9,997	-	-	174	205	9,966
Government Marketing Initiatives Fund	4,403	-	-	38	839	3,603
Healthcare Transformation Fund	5,054	5,000	1,444	94	1,263	10,328
Housing Reserve Fund	8,683	-	2,239	49	6,026	4,946
Invest to Save Fund	3,157	1,000	-	33	359	3,831
Land & Property Acquisition Reserve	3,255	-	3,967	50	90	7,181
Legal Costs Reserve	1,369	2,000	-	18	1,056	2,330
Medical Indemnity Fund	3,642	2,500	-	38	1,773	4,407
Seized Assets Fund	1,470	-	527	26	486	1,537
Town & Village Centre Regen. Fund	758	500	-	10	16	1,252
Total	61,546	12,000	9,015	683	16,832	66,420

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

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



7.23.5 Internal Funds – Group Accounts

INTERNAL FUNDS - GROUP					
	Balances brought Forward 1 Apr 18 £000	Income		Expenditure	Balances Carried Forward 31 Mar 19 £000
		Contributions Seizures & Other £000	Realised Income £000	Internal Transfers and Other Expenses £000	
Treasury funds					
Internally managed funds	61,546	21,014	693	(16,832)	66,420
Other funds					
<u>Isle of Man Post Office</u>					
Reserves	14,763	-	-	(78)	14,685
<u>Manx Utilities Authority</u>					
Reserves	24,252	-	-	(5,562)	18,690
<u>Owned Companies</u>					
Reserves	675	(1,717)	-		(1,042)
Total	101,236	19,297	693	(22,472)	98,753

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 managed and 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

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

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

- The Isle of Man Post Office Superannuation Scheme



7.24 Pensions (continued)

7.24.1 Overview (continued)

The Isle of Man Steam Packet Group Limited operates a defined contribution scheme, the Carey Workplace Pension Trust, and three defined benefit schemes as follows:

- Isle of Man Steam Packet Company Ltd Staff Pension Fund (SPPF)
- Merchant Navy Officers Pension Fund (MNOFF)
- Merchant Navy Ratings Pension Fund (MNRPF)

The SPPF scheme is a contributory, defined benefit scheme which provides retirement benefits and death benefits for all permanent employees in the form of a guaranteed level of pension payable for life. The level of benefits are dependent on length of service and salary.

The MNOFF and MNRPF schemes are closed to future accrual. Insufficient information is available to enable defined benefit accounting on these two schemes therefore a defined contribution approach has been adopted and the full annual cost is included.

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	
	2018-19	2017-18	2018-19	2017-18
Discount rate	2.53%	2.70%	2.40%	2.70%
Salary increase rate	4.54%	4.31%	4.50%	4.40%
Rate of revaluation in deferment	2.25%	2.20%	n/a	n/a
Pension increase rate	2.61%	2.38%	2.50%	2.40%
Expected return on scheme assets	2.65%	2.65%	n/a	n/a
Price inflation rate - Consumer Price Index (CPI)	2.62%	2.39%	2.50%	2.40%

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 Pensions (continued)

7.24.3 Amounts recognised in the Balance Sheet

PENSION AMOUNTS RECOGNISED IN THE BALANCE SHEET				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Equities	60,576	49,417	-	-
Property	14,907	14,693	-	-
Bonds	-	15,805	-	-
Other	59,537	6,762	-	-
Fair value of scheme assets	135,020	86,677	-	-
Present value of liabilities – DB schemes	(4,313,127)	(3,812,693)	(4,171,000)	(3,723,000)
Present value of liabilities - DC scheme	(285)	-	-	-
Net pension liability	(4,178,392)	(3,726,016)	(4,171,000)	(3,723,000)

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:

7.24.4 Reconciliation of scheme liabilities

RECONCILIATION OF SCHEME LIABILITIES				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
At beginning of period	3,812,693	3,918,624	3,723,000	3,823,000
Liability acquired - IOMSPG	53,239	-	-	-
Benefits paid	(105,695)	(96,221)	(100,000)	(94,000)
Employee contributions	23,137	20,487	22,000	20,000
Current service cost	106,407	97,351	102,000	95,000
Interest Cost	103,646	104,412	100,000	102,000
Curtailments	36	-	-	-
- Actuarial (gains)/losses	319,664	(231,960)	324,000	(223,000)
At end of period	4,313,127	3,812,693	4,171,000	3,723,000

During the year Treasury, a department of the Isle of Man Government acquired the Isle of Man Steam Packet Group Limited (previously MIOM Limited). The pension scheme liability acquired has been reported as £53.2 million which is the 31 December 2017 reported values. These are deemed to be a close approximation to the values as at the acquisition date (see note 7.30.1).



7.24 Pensions (continued)

7.24.5 Changes in the fair value of scheme assets

CHANGES IN THE FAIR VALUE OF SCHEME ASSETS				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
At beginning of period	86,677	82,435	-	-
Assets acquired - IOMSPG	47,425	-	-	-
Benefits paid	(5,696)	(2,221)	-	-
Employee contributions	1,137	487	-	-
Expected return on assets	3,221	2,092	-	-
Sponsor contributions	3,701	955	-	-
Actuarial (losses)/gains	(1,445)	2,929	-	-
At end of period	135,020	86,677	-	-

During the year Treasury, a department of the Isle of Man Government acquired the Isle of Man Steam Packet Group Limited (previously MIOM Limited). The pension scheme assets acquired has been reported as £47.4 million which is the 31 December 2017 reported values. These are deemed to be a close approximation to the values as at the acquisition date.

7.24.6 Amounts recognised in the Income and Expenditure Account

AMOUNTS RECOGNISED IN THE INCOME AND EXPENDITURE ACCOUNT				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Current service cost	106,493	97,351	102,000	95,000
Interest on scheme liabilities	103,847	104,412	100,000	102,000
Expected return on scheme assets	(3,221)	(2,092)	-	-
Total expense	207,119	199,671	202,000	197,000
Actual return on scheme assets	4,450	5,021	-	-

7.24.7 Return on plan assets

RETURN ON PLAN ASSETS				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Actual Return on Plan Assets	4,450	5,021	-	-
Actual Return on Plan Assets	4,450	5,021	-	-



7.24 Pensions (continued)

7.24.8 Amounts recognised in the Statement of Comprehensive Income

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Actual return less expected return on scheme assets	(1,445)	2,929	-	-
Experience gains and losses arising on scheme liabilities	(533)	(31,655)	-	(32,000)
Change in assumptions underlying present value of scheme liabilities	(319,131)	263,615	(324,000)	255,000
Net actuarial (losses)/gains recognised in the period	(321,109)	234,889	(324,000)	223,000

7.24.9 Reconciliation of Movement on the General Revenue Account Balance

RECONCILIATION FOR MOVEMENT ON GENERAL REVENUE ACCOUNT BALANCE				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Amount recognised in the I&E Account	202,000	197,000	202,000	197,000
Add Back:				
Employee Contributions	22,000	20,000	22,000	20,000
Benefits Paid	(100,000)	(94,000)	(100,000)	(94,000)
Total	124,000	123,000	124,000	123,000

Note – IOM Post Office and The Isle of Man Steam Packet Group movements do not impact the General Revenue Account.

7.24.10 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	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
At beginning of period	1,466,738	1,701,627	1,466,000	1,689,000
Actuarial loss/(gain) on pension scheme	321,109	(234,889)	324,000	(223,000)
At end of period	1,787,847	1,466,738	1,790,000	1,466,000



7.24 Pensions (continued)

7.24.10 Cumulative net actuarial gains and losses recognised in the Statement of Comprehensive Income (continued)

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 £324 million net actuarial loss for Central Government for 2018-19 reflects changes in financial assumptions underlying the present value of scheme liabilities. The change of financial assumptions is a result of a decrease in the discount rate which is 2.4% for 2018/19 compared to 2.7% the previous year. In comparison 2017/18 saw a £223 million gain which includes a £148 million gain for changes in longevity assumptions and a £75 million gain for changes in financial assumptions underlying the present value of scheme liabilities.

7.24.11 Historical Information

HISTORICAL INFORMATION				
	Group			
	2019	2018	2017	2016
	£000	£000	£000	£000
Present value of scheme Liabilities - DB Scheme	(4,313,127)	(3,812,693)	(3,912,693)	(3,064,726)
Present value of scheme Liabilities - DC Scheme	(285)	-	-	-
Fair value of scheme assets	135,020	86,677	86,677	69,550
Net scheme deficit	(4,178,392)	(3,726,016)	(3,826,016)	(2,995,176)
Experience adjustments on scheme liabilities	533	31,655	(26,345)	(23,433)
Experience adjustments on scheme assets	(1,445)	2,929	2,929	(2,984)
	Central Government			
	2019	2018	2017	2016
	£000	£000	£000	£000
Present value of scheme Liabilities	(4,171,000)	(3,723,000)	(3,823,000)	(2,991,000)
Fair value of scheme assets	-	-	-	-
Net scheme deficit	(4,171,000)	(3,723,000)	(3,823,000)	(2,991,000)
Experience adjustments on scheme liabilities	-	32,000	(26,000)	(23,000)

7.25 Contingent Assets

As at 31 March 2019, grants totalling £17.5 million had been issued under House Purchase Assistance Schemes currently operated by the Department of Infrastructure (unchanged from 2017/18 as grants are no longer issued). These grants depreciate by 20% of the original value at 5 year intervals, and outstanding grants are repayable on disposal of the property. Total currently outstanding (i.e. less depreciation and repayment) is £5.5 million (2017/18: £6.7 million).

At the same date, loans totalling £25.7 million (including accrued interest) (2017/18: £24.8 million) had also been issued under House Purchase Assistance Schemes (since 1999) to date. The current loan balance outstanding is £16.7 million (2017/18: £17.5 million).



7.26 Contingent Liabilities

CONTINGENT LIABILITIES				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Local Authority Borrowing	215,947	215,053	215,947	215,053
Medical Indemnity Fund	9,000	8,961	9,000	8,961
Insurance	4,555	4,500	4,555	4,500
Meat Plant	-	1,000	-	1,000
Economic Development Fund	-	410	-	410
Student Loans	92	130	92	130
Bord Gais Energy limited	25,000	25,000	-	-
Total	254,594	255,054	229,594	230,054

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

Specific guarantees or potential liabilities at 31 March 2019 totalled £254.6 million (2017/18: £255.1 million), as set out below:

- i. Local Authority Borrowing relates to Letters of Comfort issued by Treasury to Bankers in relation to authorised Local Authority borrowing to a value of £275.0 million at 31 March 2019 (2017/18: £275.0 million).
- ii. The Medical Indemnity Fund and Insurance amounts relate to notified insurance claims. The amounts represent the risk adjusted anticipated liability for these incidents, although it is still to be determined if Government has a liability in each case. The amount payable will depend on the final agreement of the liability for each claim with the claimant and the claims will be paid, if required, following this agreement.
- iii. The Meat Plant amount relates to guarantees to farmers in respect of stock submitted for slaughter within 21 days of closure.
- iv. The Economic Development Fund amounts relate to guarantees issued from that Fund.
- v. The Department of Education, Sport and Culture and the Treasury have signed an agreement with the Isle of Man Bank Limited to indemnify the bank for losses in respect of student loans issued by the bank. The maximum amount guaranteed under this facility is £10.0 million (2017/18: £10.0 million).
- vi. During 2016/2017 Treasury provided a guarantee in support of the Manx Utility Authority's "Route to Market" trading framework agreement with Bord Gais Energy limited, to the maximum value of £25 million. The guarantee provides security of supply to the Island's natural gas pipeline, and reduces gas price risk for the Authority.
- vii. Additionally, Isle of Man Government has given an undertaking to financially support the Manx Utilities Authority.

7.27 Post Balance Sheet Events

There are no material non-adjusting events after the reporting date.



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 19	31 Mar 18
	£000	£000
Pensions paid on behalf of the Scheme	1,898	1,813
Net recharges made to the Scheme	460	410
Balance owed by the Scheme	(71)	(175)

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.

Isle of Man Steam Packet Group

Related party transactions were with wholly owned subsidiaries and so have not been disclosed.



7.28.2 Related Party Transactions - Central Government

(i) 2018/19

RELATED PARTY TRANSACTIONS - 2018/19					
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 31/03/19
Dr A Allinson, MHK	Ramsey Group Practice	Equity Partner until June 2018	£472,642	GP services - payment is a gross payment to the Practice against which expenses are incurred	-
	Motiv8	Director	£289,999	Provision of services	-
Mrs K J Beecroft, MHK	Manx Home Care Ltd	Director	£10,469	Payments made against relevant supplier invoices	£0
Mrs J McAndry, FSA Member	Independent Medical Services	Husband - Partner	£540	Payments made against relevant supplier invoices	-
Mr J Clarke, FSA Board Member	Capital International Group Limited	Non-Executive Director of Capital International Fund Managers Ltd until June 2018	£180,085	Payments made against relevant supplier invoices	-
Mrs C A Corlett, MHK	Niarbyl Catering	Director	£2,532	Payments made against relevant supplier invoices	£70
	Brunswick Gardens	Shareholder	£5,040	Payments made against relevant supplier invoices	-
Mrs J M Edge, MHK	Camada Ltd	Partner is a Director	£72,894	Payments made against relevant supplier invoices	£3,677
Mr G Karran, FSA Board Member until June 2018	Standard Bank (IOM) Limited	Non-Executive Director	£505	Training Grants Paid	-
Mrs S Lowe Chief Financial Officer	Small Countries Financial Management	Board Member as part of CFO role	£350,000	Payments made against relevant supplier invoices	-
Dr P McEvoy, Director of Agriculture, DEFA	Manx Wildlife Trust	Director	£99,067	Payments made against relevant supplier invoices	£7,000
Mr G R Peake, MHK	Quing	Director	£1,100	Payments made against relevant supplier invoices	-
	Mooijer Veggey	Director	£375,334	Pre-School credits and supplier invoices	-
	Manx Lottery Trust	Trustee	£150,000	Lottery Duty for distribution	-
Mr J L M Quinn, Attorney General & his Son	Quinn Legal Advocates Ltd	Mr Quinn's Son is a Director	£945	Advocate Fees and Court Costs Awarded	-

2018/19 related parties continue on next page



7.28.2 Related Party Transactions - Central Government (Continued)

RELATED PARTY TRANSACTIONS - 2018/19 (Continued)					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt	Type of payment made to company	Year End balance 31/03/19
Mr S C Rodan, MLC	Laxey Chemist Ltd	Director	£497,158	Payments made against relevant supplier invoices and reimbursement of pharmaceutical costs. This is the gross amount and covers the reimbursement of items dispensed under NHS prescriptions and related services. The pharmacy also has to cover expenses out of the amount received.	£616
Mr L D Skelly, MHK Mrs Skelly	Manx Inspirations	Director	£14,346	Payments made against relevant supplier invoices	£519
Mr A Smith, FSA Board Member until June 2018	Capital International Group Limited	Director	£180,085	Payments made against relevant supplier invoices	-
Mr J P Watterson, SHK	Southern Befrienders Ltd	Treasurer	£10,000	Payments made against relevant supplier invoices	-

Notes

- i. 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.
- ii. 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>.
- iii. Ministers of Departments are considered to be 'key management' so the compensation paid to Ministers during the year has been included within the note 7.6.
- iv. The Government has interests in companies and the relevant disclosures can be found in Note 7.15.



(ii) Related Parties - 2017/18

RELATED PARTY TRANSACTIONS - 2017/18					
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 31/03/18
Dr A Allinson, MHK	Ramsey Group Practice	Equity Partner	£1,830,767	GP services - payment is a gross payment to the Practice against which expenses are incurred	-
	Motiv8	Director	£288,640	Provision of services	-
Mr T Baker, MHK	IOM Meat Company Ltd (From 9th January 2018)	Director & Chairman	£1,000,000	Payments made against relevant supplier invoices	£6,554
Mrs K J Beecroft, MHK	Manx Home Care Ltd	Director	£103,787	Payments made against relevant supplier invoices	£271
Mr J Clarke, FSA Board Member	Capital International Group Limited	Non-Executive Director of Capital International Fund Managers Ltd (part of Capital International Group Limited)	£754,661	Payments made against relevant supplier invoices	-
Mr C G Corkish, MLC	IOM Anti-Cancer Association	Director	£4,080	Payments made against relevant supplier invoices	-
Mrs C A Corlett, MHK	Niarbyl Catering	Director	£3,664	Payments made against relevant supplier invoices	-
Mr G Karran, FSA Board Member	Standard Bank (IOM) Limited	Non-Executive Director	£4,000	Payments made against relevant supplier invoices	-
Mrs S Lowe, Chief Financial Officer, The Treasury	Small Countries Financial Management	Board Member as part of CFO role	£300,000	Payments made against relevant supplier invoices	-
Dr P McEvoy, Director of Agriculture, DEFA	Manx Wildlife Trust	Director	£120,924	Payments made against relevant supplier invoices	£18,000
	IOM Meat Company Ltd	Director	£2,076,258	Payments made against relevant supplier invoices	£6,554
Mr G R Peake, MHK	Professional Lighting Design Ltd	Director until 4th May 2017	£2,400	Payments made against relevant supplier invoices	-
	Mooinjer Veggy	Director	£487,112	Pre-School credits and supplier invoices	-
	Manx Lottery Trust	Trustee	£150,000	Lottery Duty for distribution	-
Mr J L M Quinn, Attorney General & his Son	Quinn Legal Advocates Ltd	Mr Quinn's Son is a Director	£59,359	Advocate Fees and Court Costs Awarded	£1,998

2017/18 related party note continues on next page.



7.28.2 Related Party Transactions - Central Government (Continued)

RELATED PARTY TRANSACTIONS - 2017/18 (Continued)					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt	Type of payment made to company	Year End balance 31/03/18
Mr S C Rodan, MLC	Laxey Chemist Ltd	Director	£527,889	Payments made against relevant supplier invoices and reimbursement of pharmaceutical costs. This is the gross amount and covers the reimbursement of items dispensed under NHS prescriptions and related services. The pharmacy also has to cover expenses out of the amount received.	£700
Mr L D Skelly, MHK Mrs Skelly	Manx Inspirations	Director	£14,443	Payments made against relevant supplier invoices	-
Mr A Smith, Financial Services Authority Board Member	Capital International Group Limited	Director	£754,661	Payments made against relevant supplier invoices	-
Mr E Southworth, Director, MNH	Age Concern	Close family member - CEO	£3,062	Payments made against relevant supplier invoices	-
Mr W Wannenburg, Solicitor General	FTR Transcripts	Wife - Transcriber	£1,466	Payments made against relevant supplier invoices at the Attorney General's Chambers only	-
Mr J P Watterson, SHK	Southern Befrienders Ltd	Treasurer/ Director	£10,000	Payments made against relevant supplier invoices	-

Notes

- i. The amount previously noted as IOM Meat Company Limited has been updated as the amount declared previously included an element paid to another company.
- ii. The 2017/18 note has been updated to remove transactions listed with Government owned companies (Laxey Glen Mills Ltd).
- iii. Additionally the 2017/18 note has been updated to exclude Mr Quinn's association with the Sefton Group as his shareholding was disposed of in 2013.
- iv. Finally some additional entries have been included for Mr Peake MHK as these were omitted last year.



7.29 Reconciliation of Net Cash Flow from Operating Activities

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES				
	Group		Central Government	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Surplus/(Deficit) Before Interest	(33,807)	(11,895)	(49,465)	(16,023)
- Net transfer to reserves	(118,802)	(145,279)	(78,447)	(39,492)
Operating (Deficit)	(152,609)	(157,174)	(127,912)	(55,515)
Depreciation and amortisation charges	144,580	117,868	104,359	95,910
Loss(Gain) on Revaluation	-	217	-	-
Deferred income release	(684)	(507)	-	-
Amortised debt interest adjustment	(718)	-	-	-
Movement on bond Issue Costs	-	2,075	-	-
Net transfer (to)/from external reserves	28,474	43,755	(9,337)	(61,174)
(Gain)/loss on disposal of fixed assets	(13)	11,370	-	(600)
Unrealised gain/(loss) on forward purchase contracts	2,667	2,436	-	-
Unrealised (loss)/gain on currency revaluation	4,253	7,024	-	-
Defined benefit scheme - current service cost in excess of contributions	23,444	22,395	24,000	20,999
Movements in working capital:				
- (Increase)/decrease in stocks	(1,150)	1,183	(1,223)	908
- (Increase)/decrease in debtors	(71,577)	7,831	(70,329)	3,310
- Increase/(decrease) in creditors	(20,303)	12,399	(19,999)	16,001
Net cash inflow/(outflow) from operating activities	(43,636)	70,872	(100,441)	19,839

7.30 Acquisition of businesses

On the 24th May 2018 Treasury, a department of the Isle of Man Government acquired 100% of the shareholding in the Isle of Man Steam Packet Group Ltd (previously MIOM Ltd) for £48.8 million.

The principal activity of the Isle of Man Steam Packet Group is the operation of passenger and freight ferry services and ancillary services between the Isle of Man, the UK and Ireland.

The Isle of Man Meat Company was incorporated on the 9th January 2018. On the 8th March 2018 the company signed an agreement with the Isle of Man Fat Stock Marketing Association to purchase its business and assets (excluding certain agreed assets and £18,500 cash) for £1 effective 29th March 2018.

The Department of Environment, Forestry and Agriculture (DEFA) provide an annual grant to the Isle of Man Meat Company Limited to meet operational costs. DEFA holds one 'G' share which holds voting and distribution rights. The remaining 50% is owned by Isle of Man Fat Stock Marketing Association Ltd who hold one 'A' share with no voting or distribution rights.

Both companies were accounted for using the Purchase Method.

7.30.1 Isle of Man Steam Packet Group Limited (previously MIOM Ltd)

Effect of the acquisition

The acquisition had the following effect on the Isle of Man Steam Packet Group Ltd assets and liabilities.



7.30 Acquisition of businesses (continued)

7.30.1 Isle of Man Steam Packet Group Limited (previously MIOM Ltd) (continued)

Effect of the acquisition (continued)

NET ASSETS ON ACQUISITION	
	Values at Acquisition £'000
Assets	
Vessels	30,013
Total assets	30,013
Current assets	
Inventories	2,703
Trade and other receivables	5,006
Cash and bank balances	11,601
Total current assets	19,310
Equity and liabilities	
Share capital	13
Share premium	42,319
Retained Earnings	6,420
Total equity and liabilities	48,752
Non-current liabilities	
Borrowings	(76,566)
Retirement benefit obligations	(7,810)
Total non-current liabilities	(84,376)
Current liabilities	
Creditors	(17,284)
Total current liabilities	(17,284)
Total net liabilities	(52,337)
Total equity and liabilities	(3,585)

	Values at Acquisition £'000
Net liabilities on acquisition	(52,337)
Initial cash price paid	48,252
Contingent consideration expected to be paid	500
Total consideration paid	48,752
Intangible asset acquired on investment	101,089

The difference between the consideration paid for the Isle of Man Steam Packet and the net liabilities acquired is represented as an intangible asset identified as the sea services agreement. The sea services agreement was identified as the key driver for value of the Steam Packet Group and qualifies as an intangible asset. The intangible asset is being amortised over the period of the agreement which expires in 2026. No other material intangible assets have been separately recognised in these financial statements as part of this transaction.



7.30 Acquisition of businesses (continued)

7.30.1 Isle of Man Steam Packet Group Limited (previously MIOM Ltd) (continued)

Fair value adjustments

In accordance with FRS 102 section, fair value adjustments have been made on the reported net asset values of the Isle of Man Steam Packet Group Limited to reflect the fair value of the identifiable net assets acquired. These adjustments are detailed below:

- The value of the vessels have been increased by £10.1m (compared to reported assets of £19.8m) which reflect the estimated sale values of similar vessels. These values have been provided by an external ship broker.
- The sea services agreement value reflects the estimated fair value of the future cash flows expected to be generated under the remaining period of the agreement as at the date of acquisition (expiring 2026).
- An accounting adjustment has been made, in accordance with FRS 102 section 11, to increase the value of the debt by £0.7m (reported at £75.9m) reflecting measurement of the debt at amortised cost.

Contingent Consideration

The consideration paid on acquisition was determined on the basis that the value of the pension scheme deficit was £5.8m. The purchase agreement required the tri-annual review of the pension scheme to be completed by the 31st January 2019 and the consideration adjusted by an amount equal to the lesser of £5.8m and £0.5m. The tri-annual review resulted in additional consideration payable of £0.5m.

7.30.2 Isle of Man Meat Company Limited

The fair value of the net assets acquired on transfer of the the assets from Isle of Man Fatstock Marketing Association and Isle of Man Meat Company was £0.4m and the consideration paid was £1. This resulted in negative goodwill of £0.4m. A fair value adjustment of £0.1m was made on transfer relating to the expenses and costs incurred as a direct result of the business combination.



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 2019/0037).

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 as a result.

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 tables show net expenditure by Department for 2018/19 and 2017/18 as reported in the Detailed Government Accounts and the adjustments applied to re-state the net expenditure figures to the required United Kingdom Accounting Standards basis.

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

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

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



8.2 - Reconciliation of Department Expenditure (Continued)

RECONCILIATION OF NET DEPARTMENT EXPENDITURE					
	Central Government 2018-19				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
Government Departments					
Cabinet Office	30,714	2,469	5,310	(16)	38,477
Economic Development	17	962	2,642	469	4,090
Education & Children	102,302	21,634	21,412	14	145,362
Environment, Food & Agriculture	16,042	500	2,544	84	19,170
Health & Social Care	220,147	6,516	36,901	-	263,564
Home Affairs	35,109	(656)	10,661	10	45,124
Infrastructure	63,578	88,710	11,608	(3,383)	160,513
Treasury	312,864	101	4,269	241	317,475
	780,773	120,236	95,347	(2,581)	993,775
Other bodies					
Executive Government	10,895	-	(74,750)	2	(63,853)
Manx Museum and National Trust	4,445	(98)	876	19	5,242
Stat. Boards (Revenue Funded)	(1,382)	142	2,172	1,606	2,538
	13,958	44	(71,702)	1,627	(56,073)
Expenses of the Legislature	4,569	(340)	355	-	4,584
Total Voted Expenditure	799,300	119,940	24,000	(954)	942,286

RECONCILIATION OF NET DEPARTMENT EXPENDITURE					
	Central Government 2017-18				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
Government Departments					
Cabinet Office	30,012	232	4,688	20	34,952
Economic Development	3,363	(1,063)	2,866	(25)	5,141
Education & Children	96,614	12,512	21,026	4	130,156
Environment, Food & Agriculture	15,712	288	2,251	2	18,253
Health & Social Care	219,178	4,295	35,736	-	259,209
Home Affairs	33,365	699	7,051	157	41,272
Infrastructure	58,738	49,244	11,232	(3,426)	115,788
Treasury	314,363	(609)	3,962	23,059	340,775
	771,345	65,598	88,812	19,791	945,546
Other bodies					
Executive Government	9,175	3	(71,511)	16	(62,317)
Manx Museum and National Trust	4,403	(498)	880	(12)	4,773
Stat. Boards (Revenue Funded)	(1,325)	11	1,949	(6)	629
	12,253	(484)	(68,682)	(2)	(56,915)
Expenses of the Legislature	4,506	(340)	869	1	5,036
Total Voted Expenditure	788,104	64,774	20,999	19,790	893,667



8.2 - Reconciliation of Department Expenditure (Continued)

DEPARTMENT NET EXPENDITURE - VARIANCE TO PRIOR YEAR					
	Variance to Prior Year				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
Government Departments					
Cabinet Office	(702)	(2,237)	(622)	36	(3,525)
Economic Development	3,346	(2,025)	224	(494)	1,051
Education & Children	(5,688)	(9,122)	(386)	(10)	(15,206)
Environment, Food & Agriculture	(330)	(212)	(293)	(82)	(917)
Health & Social Care	(969)	(2,221)	(1,165)	-	(4,355)
Home Affairs	(1,744)	1,355	(3,610)	147	(3,852)
Infrastructure	(4,840)	(39,466)	(376)	(43)	(44,725)
Treasury	1,499	(710)	(307)	22,818	23,300
	(9,428)	(54,638)	(6,535)	22,372	(48,229)
Other bodies					
Executive Government	(1,720)	3	3,239	14	1,536
Manx Museum and National Trust	(42)	(400)	4	(31)	(469)
Stat. Boards (Revenue Funded)	57	(131)	(223)	(1,612)	(1,909)
	(1,705)	(528)	3,020	(1,629)	(842)
Expenses of the Legislature	(63)	-	514	1	452
Total Voted Expenditure	(11,196)	(55,166)	(3,001)	20,744	(48,619)

The above table is the variance in expenditure between 2018/19 and the prior year, 2017/18.

In 2018/19 a net zero was budgeted for pensions expenditure in the Public Sector Pensions Authority (PSPA, part of Executive Government), as Government Departments contributed an additional £7 million towards the cost.

This additional contribution to pension costs manifests itself as additional spending in Departments. A full breakdown of Departmental pension contributions can be seen in section 5 of the Detailed Government Accounts.

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



9 Consolidated Loans Fund

9.1 Overview

Detailed information in respect of Central Government capital income and expenditure is reported in the Detailed Government Accounts (GD 2019/0037). 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	
	2018-19 £000	2017-18 £000
Assets		
Advances to Borrowing Accounts:-		
Fixed Assets - Central Government	1,643,739	1,599,697
Loans to Statutory Boards	440,189	440,634
Long Term Loans	2,432	3,101
Cash at Bank	62,784	58,753
Total	2,149,144	2,102,185
Liabilities		
Loans Outstanding:-		
Bond Issues	262,075	262,075
Capital Fund	813,380	797,933
Capital Discharged	1,073,689	1,042,177
Total	2,149,144	2,102,185

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 2018/19 totalled £60.8million (2017/18: £41.5 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.



9.2 Consolidated Loans Fund Balance Sheet Notes (Continued)

- v. Capital Discharged represents the accumulated payments that have been made out of revenue to pay for capital expenditure, as follows:
- vi. Net interest of £15.2 million (2017/18: £12.6 million) was paid to the Capital Fund from Departments during the year, as the interest rate was set at 2% (2017/18: 1.50%).

RECONCILIATION OF CAPITAL DISCHARGED		
	Central Government	
	2018-19	2017-18
	£000	£000
Advances to Borrowing Accounts:-		
Fixed Assets	2,083,928	2,040,332
Long Term Loans	2,432	3,101
Capital Discharged	(1,073,689)	(1,042,178)
Net Advances Outstanding	1,012,671	1,001,255

9.3 Consolidated Loans Fund Interest Transactions

CONSOLIDATED LOANS FUND INTEREST TRANSACTIONS		
	Central Government	
	2018-19	2017-18
	£000	£000
Income		
Investment Interest	262	201
Bond Interest recharged to MUA (ex WASA)	4,219	4,219
Bond Interest recharged to MUA (ex MEA)	10,144	9,944
Balance received from Departments	12,617	12,479
Total income	27,242	26,843
Expenditure		
Interest on Bond Issues	14,363	14,163
Interest on Capital Fund	12,879	12,680
Total expenditure	27,242	26,843
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 2019 at an average rate of 2% (2017/18: 1.50%).
- ii. Interest on the Manx Utilities Authority Bond Issue of £14.1 million was charged in full to the Authority during the year (2017/18: £14.3 million).



9.4 Summary of Capital Advances

SUMMARY OF CAPITAL ADVANCES							
DEPARTMENT	Revised advances outstanding at 1 Apr 18 £000	Advances		Repayments			Advances outstanding at 31 Mar 19 £000
		Year	Total to	Advances repaid	Capital receipts etc.	Total Repaid	
		2018-19 £000	31 Mar 19 £000	2018-19 £000	2018-19 £000	31 Mar 19 £000	
Cabinet Office	111	759	1,039	78	-	247	792
Enterprise	10,083	-	35,549	765	-	26,230	9,318
Education, Sport & Culture	96,245	5,793	196,490	5,777	-	100,229	96,261
Environment, Food & Agriculture	14,353	684	32,898	715	54	18,629	14,268
Health and Social Care	128,394	2,978	225,476	7,294	-	101,398	124,078
Home Affairs	52,127	731	77,987	2,497	826	28,452	49,535
Infrastructure	238,882	41,646	606,037	16,071	6,081	347,660	258,376
Treasury	5,446	522	110,541	512	-	105,085	5,456
Statutory Boards	-	193	193	54	-	54	139
Manx National Heritage	9,907	409	24,237	789	-	14,711	9,527
Expenses of the Legislature	5,074	-	10,257	342	-	5,525	4,732
Sub-Total Central Government	560,622	53,715	1,320,704	34,894	6,961	748,220	572,482
<u>Borrowing Authorities</u>							
Manx Utilities	438,559	7,061	675,880	7,506	-	237,767	438,114
MUA bond issue costs	2,075	-	2,075	-	-	-	2,075
Sub-Total Borrowing Authorities	440,634	7,061	677,955	7,506	-	237,767	440,189
TOTAL CAPITAL ADVANCES	1,001,256	60,776	1,998,659	42,400	6,961	985,987	1,012,671
Less:							
Loan Schemes	3,101	-	3,101	669	-	669	2,432
House Purchase Assistance Schemes	-	-	-	-	-	-	-
Net Central Government	557,521	53,715	1,317,603	34,225	6,961	747,551	570,050

The opening balances by Department are slightly different to the closing balances reported in 2017/18 due to transfers of some schemes between Departments. A reconciliation is provided in the Detailed Government Accounts (section 6.6).

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