



BOROUGH OF DOUGLAS
ABSTRACT OF ACCOUNTS
YEAR ENDING
31st MARCH 2006



New Housing at Hanover House



Play Area Loch Promenade



Market Lighting



Town Hall Refurbishment

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

EXPLANATORY FOREWORD AND STATEMENT OF RESPONSIBILITY

Douglas Borough Council's Abstract of Accounts for the year ended 31st March, 2006 is set out on pages 1 to 25. Brief notes at the head of each page explain the function of these accounts, which consist of:-

| | |
|--|----|
| EXPLANATORY FOREWORD AND STATEMENT OF RESPONSIBILITY | 1 |
| INDEPENDENT AUDITORS' REPORT | 3 |
| STATEMENT OF ACCOUNTING PRINCIPLES | 4 |
| SUMMARY REVENUE ACCOUNTS | 6 |
| GENERAL RATE FUND | 12 |
| RATE INCOME | 12 |
| GENERAL RATE FUND BALANCE SHEET | 13 |
| HOUSING REVENUE ACCOUNT | 14 |
| HOUSING REVENUE ACCOUNT RESERVES | 14 |
| HOUSING REVENUE ACCOUNT BALANCE SHEET | 15 |
| CAPITAL ACCOUNTS | 16 |
| LOANS POOL FUNDING | 17 |
| LOANS POOL BALANCE SHEET | 18 |
| GENERAL RATE FUND RESERVES | 19 |
| CONSOLIDATED BALANCE SHEET | 20 |
| CONSOLIDATED STATEMENT OF REVENUE AND CAPITAL MOVEMENTS | 23 |
| TRAMWAYS ACCOUNTS | 24 |
| TRAMWAYS UNDERTAKING - BALANCE SHEET | 25 |
| CHARITY ACCOUNTS - STATEMENT OF TRUSTEES' RESPONSIBILITIES | C1 |
| CHARITY ACCOUNTS | C2 |
| CHARITY ACCOUNTS – INDEPENDENT AUDITORS REPORT | C3 |

1. The Audit Act 1983 requires the Council to prepare financial statements for each financial year which gives a true and fair view of the affairs of the Council and of the financial position of the Council for that year. In preparing these, the Council are required to:
 - select suitable accounting policies and apply them consistently;
 - make judgements and estimates that are reasonable and prudent;
 - state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
 - prepare the financial statements on the going concern basis unless it is appropriate to presume that the council will continue business

The Council confirm that they have complied with the above requirements and all other enactments applicable in preparing the financial statements.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Council and to enable them to ensure that the financial statements comply with applicable legislation. The Council is also responsible for safeguarding the assets on the Council and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

2. During the year, net revenue expenditure on services funded from the General Rate Fund amounted to some £8.172M (2004/2005: £7.673M) with rate income of £7.873M (2004/2005: £7.332M). This gave a deficit of £0.299M (2004/2005: £0.342M) to reduce the General Rate Fund working balance. At the close of the year the General Revenue balance stood at £2.256M (2004/2005: £2.554M).
3. Capital expenditure of £11.852M (2004/2005: £13.487M) was undertaken during the year, much of which related to public sector housing, and the final costs arising from the construction of the new multi-storey car park at Shaws Brow.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

4. Income from Government for services and agencies run by the Council amounted to some £5.393M during the year (2004/2005: £4.505M). The increase largely reflects the agreed acceleration of capital loan charge repayments to the Department of Local Government and the Environment and increased capital expenditure in respect of Council Housing capital schemes. The figure also includes the subsidy received in respect of the Government levy charged for household waste.

D W CHRISTIAN J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
28th July 2006

G M BOLT, CPFA.
BOROUGH TREASURER
28th July 2006

Town Hall
Ridgeway Street
DOUGLAS
Isle of Man
IM99 1AD

Telephone: (01624) 696300
Fax: (01624) 696400
Website: www.douglas.gov.im

Independent Auditors' Report to the Mayor and Councillors of Douglas Borough Council ("the Council")

We have audited the abstract of accounts of Douglas Borough Council for the year ended 31 March 2006 set out on pages 4 to 25. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

This report is made solely to the Mayor and Councillors, as a body, in accordance with Section 4 of the Audit Act 1983. Our audit work has been undertaken so that we might state to the Mayor and Councillors those matters we are required to state 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 Mayor and Councillors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and Auditors

As described on page 1, the Council are responsible for the preparation of the financial statements in accordance with the Audit Act 1983 and all other applicable enactments.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the accounts are prepared in accordance with the Accounts and Audit Regulations 1984, made under the Audit Act 1983. We also report to you if, in our opinion, if the Council has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounts, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts have been prepared in accordance with Accounts and Audit Regulations 1984 as made under the Audit Act 1983, and comply with all other enactments applicable to the accounts.

MOORE STEPHENS
Chartered Accountants
Douglas
Isle of Man

23rd January 2007

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

STATEMENT OF ACCOUNTING PRINCIPLES

1. General Principles

These accounts have been prepared in accordance with the requirements of the Accounts and Audit Regulations 1984 made under the Audit Act 1983, and the historical cost convention.

2. Basis of Inclusion of Debtors and Creditors in the Accounts

Revenue account transactions are accounted for on an accruals basis. In the case of payroll costs these are included on the basis of complete pay periods, which fall within the financial year. All known income is recorded when the debt is established together with an estimate of other large sums due but not established at the year end. Rental income for the Council's housing stock is recorded on the same basis as payroll costs. Expenditure is accrued for sums due but not paid at the end of the year.

Capital transactions are recorded on a receipts and payments basis and do not therefore include any accrual for the cost of work carried out but not paid for at 31st March 2006.

3. Reserves, Provisions, Contingent Liabilities and Deferred Charges

A number of renewal and reserve funds are maintained within the Council's accounts. Sums are provided for the renewal of vehicles and plant based upon the estimated cost of replacement at the end of their estimated life. In other cases, reserve funds are maintained to finance unforeseen costs of asset repair. A contingent liability claim has been referred to the Council by an employee relating to employment emoluments. It is not currently possible to reliably estimate the financial impact of such a claim. There are deferred charges outstanding, which relate to the loan debt on the Drainage infrastructure assets (transferred to the Government as part of the Sewerage Act 1999). The outstanding balances are reduced each year by the amount of loan repayments, which are a charge upon the General Rate Fund, and reimbursed to the Council through the Drainage Agency with the Department of Transport.

4. Provision for the Redemption of Debt

The Council administers a Loans Pool into which loans raised are paid and from which sums are advanced to the various services in order to finance capital expenditure and long term outlay. The sources are mortgage bonds and bank loans. Provision for the redemption of debt has been made in accordance with statutory borrowing powers. Provision for repayment of these liabilities is on the basis of sinking fund calculations with an annual accumulation currently set at 5%. Repayments with interest on the balance of principal outstanding are charged to the appropriate revenue accounts. During the 2005/2006 year, the average rate of interest amounted to 6.0% (2004/2005: 6.1%).

5. Capital Expenditure

Property and permanent works are recorded at cost. Capital contributions which have been received in respect of capital schemes are retained in the capital accounts, and loans raised to finance the net cost.

6. Valuation of Investments

Investments are recorded at cost less any provision for impairment.

7. Provision for Bad Debts

A provision for bad debts is provided in these accounts amounting to £0.251M (2004/2005: £0.429M)

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

STATEMENT OF ACCOUNTING PRINCIPLES (CONTINUED)

8. Depreciation Provisions

There is no provision for depreciation in these accounts. However, all loan repayments in respect of capital assets are charged to the appropriate revenue account.

9. Stocks and Stores

The bulk of stocks and stores holdings are recorded on the basis of average costs. A minority of the holdings are recorded on the basis of either net realisable value or actual cost. A provision of £15,080 for obsolete stock is provided within these accounts. (2004/2005: £NIL)

10. Matching and Consistency Concepts

Whilst every effort is made to include a full year's expenditure in each financial year, the timing of some regular payments is such that the year's expenditure will not exactly correspond with the same yearly period as the financial accounts. Payroll costs included in the accounts relate to the completed earning periods (monthly and weekly), which fall between 1st April 2005 and 31st March 2006. Similarly, weekly rental income relates to the completed rental weeks in the financial year.

11. Leased Assets

Assets acquired by means of finance leases and the matching obligations due to lessors are written down each year in accordance with the 'Rule of 78' method. There were no assets acquired during the year funded from Lease payment. Rentals paid in the year amounted to £66,708 (2004/2005: £62,349) and the sum of £30,272 (2004/2005: £96,980) was outstanding at the end of the year.

12. Pensions and Implementation of Financial Reporting Standard 17

The accounts and notes with relation to the Pension Fund have been prepared in accordance with Financial Reporting Standard (FRS) 17. In accordance with the requirements of FRS17, the Council now accounts for retirement benefits when it is committed to give them, even if the actual payment will be many years into the future. The financial statements therefore reflect, at fair value, the assets and liabilities arising from the Council's retirement obligations. The operating cost of providing retirement benefits to employees is recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise. There are additional entries as accepted practice for local authorities to negate the effects on ratepayers or balances.

The Pension Fund liability as at 31st March 2006 stands at £7.390M (2004/2005: £7.184M). The actuary has advised that the full benefit from an improvement in the equity market has not translated itself into a reduced liability partly because a change in the discount rate used in the calculations for FRS17 and future pension payments, and partly also because not all assets in the scheme are in the form of equities.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

SUMMARY REVENUE ACCOUNTS

The revenue accounts of the Council record the costs of staffing, running expenses and capital financing costs, together with associated income of the various services. These are grouped over the various Committees, which are responsible for carrying out the services and are summarised in the table which follows:-

| 2004/2005 Net Cost £ | Committee and Service | Estimate £ | 2005/2006 Cost £ | Income £ | Net Cost £ |
|--|-------------------------------|----------------|------------------------|---------------------|------------------|
| PUBLIC HEALTH AND HOUSING COMMITTEE | | | | | |
| - | Housing Maintenance | - | 1,655,779 | (1,655,779) | - |
| 22,638 | Cemetery & Cremator'm Admin | - | - | - | - |
| 173,472 | Borough Cemetery | 190,220 | 226,566 | (17,324) | 209,242 |
| 52,450 | Crematorium | - | 301,778 | (292,798) | 8,980 |
| 147,204 | Lawn Cemetery | 139,150 | 148,653 | - | 148,653 |
| (8,466) | Market | (19,720) | 64,309 | (79,481) | (15,172) |
| - | Housing Service | - | 7,851,661 | (7,851,661) | - |
| - | Sheltered Accommodation | - | 240,877 | (240,877) | - |
| 535,523 | Housing Service - Admin | 549,210 | 934,237 | (323,960) | 610,277 |
| 137,062 | Public Health & Housing Admin | 160,960 | 132,440 | - | 132,440 |
| (56,949) | Commercial Property | (50,160) | 121,783 | (129,436) | (7,653) |
| <u>1,002,934</u> | | <u>969,660</u> | <u>11,678,083</u> | <u>(10,591,316)</u> | <u>1,086,767</u> |

PUBLIC WORKS COMMITTEE

| | | | | | |
|------------------|-------------------------------|------------------|------------------|--------------------|------------------|
| (35,054) | Building Regulations | (3,720) | 180,936 | (206,028) | (25,092) |
| 21,350 | Planning | 29,340 | 36,018 | 1,529 | 37,547 |
| 26,360 | Derelict Buildings | 34,190 | 34,325 | (461) | 33,864 |
| (263,226) | Car Parks | (310,000) | 950,497 | (1,232,894) | (282,397) |
| - | Drainage - Maintenance Agency | - | 811,501 | (811,501) | - |
| 235,008 | Decorative Lighting | 266,600 | 284,560 | (20) | 284,540 |
| - | Electrical Services Admin | - | 46,441 | (46,441) | - |
| 719,767 | Public Lighting | 707,540 | 746,508 | (15) | 746,493 |
| 56,945 | Engineering Misc Works | 59,110 | 59,031 | (10,461) | 48,570 |
| 28,909 | Dogs Act | 34,280 | 24,216 | - | 24,216 |
| 53,714 | Promenade and Foreshore | 57,260 | 48,370 | - | 48,370 |
| - | Depots | - | 195,425 | (195,425) | - |
| - | Fleet & Garage Operation | - | 790,833 | (790,833) | - |
| 30,484 | Stores | 47,510 | 58,088 | (15,036) | 43,052 |
| 50,478 | Beach Cleaning | 71,610 | 54,851 | - | 54,851 |
| 170,016 | Public Conveniences | 171,780 | 155,072 | (359) | 154,713 |
| 192,340 | Civic Amenity Site | 209,590 | 380,934 | (148,585) | 232,349 |
| 649,711 | Refuse Collection | 730,990 | 1,841,765 | (1,165,410) | 676,355 |
| 57,020 | Commercial Refuse | 105,000 | 452,560 | (368,048) | 84,512 |
| 44,221 | Street Cleaning Agency | 19,010 | 742,912 | (721,837) | 21,075 |
| 117,223 | Street Cleaning Amenity | 314,800 | 193,334 | (12,528) | 180,806 |
| 341,320 | Public Works Admin | 331,860 | 308,038 | - | 308,038 |
| <u>2,496,586</u> | | <u>2,876,750</u> | <u>8,396,215</u> | <u>(5,724,353)</u> | <u>2,671,862</u> |

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

SUMMARY REVENUE ACCOUNTS (CONTINUED)

| 2004/2005 Net Cost £ | Committee and Service | Estimate £ | 2005/2006 Cost £ | Income £ | Net Cost £ |
|-----------------------------------|--------------------------------|------------------|------------------------|------------------|------------------|
| LEISURE SERVICES COMMITTEE | | | | | |
| 496,489 | Library | 521,690 | 525,879 | (13,815) | 512,064 |
| 244,540 | Leisure Services Admin | 273,870 | 230,772 | (50) | 230,722 |
| 6,074 | Douglas Head | 4,030 | 11,980 | - | 11,980 |
| 71,744 | King George V Park | 89,840 | 122,588 | (21,368) | 101,220 |
| 98,717 | Loch Promenade | 83,770 | 103,800 | (9,262) | 94,538 |
| - | National Sports Centre | - | 18,580 | (18,580) | - |
| 345,660 | Nobles Park | 422,340 | 476,496 | (42,140) | 434,356 |
| 54,194 | Nobles Park TT Temp Campsite | - | - | - | - |
| 327,541 | Nursery | 295,290 | 356,331 | (21,459) | 334,872 |
| 648,681 | Other Parks & Gardens | 610,830 | 880,732 | (215,383) | 665,349 |
| 5,115 | Leisure Services Miscellaneous | 7,820 | 11,206 | (3) | 11,203 |
| 184,348 | Douglas Golf Course | 83,780 | 259,053 | (109,609) | 149,444 |
| 51,625 | Summer Hill Glen | 49,250 | 43,070 | - | 43,070 |
| 227,950 | Horse Trams | 240,470 | 316,901 | (81,709) | 235,192 |
| <u>2,762,678</u> | | <u>2,682,980</u> | <u>3,357,388</u> | <u>(533,378)</u> | <u>2,824,010</u> |

POLICY AND RESOURCES COMMITTEE

| | | | | | |
|------------------|--------------------------------|------------------|------------------|--------------------|------------------|
| 566,942 | Support Services | 56,100 | 760,234 | (330,823) | 429,411 |
| - | Central Admin & Secretarial | - | 440,621 | (440,621) | - |
| 167,894 | Civic and Public | 199,800 | 185,812 | - | 185,812 |
| 290,659 | Corporate Management | 311,380 | 323,876 | - | 323,876 |
| 18,356 | Elections | 8,500 | - | - | - |
| 148,025 | Policy & Resources Misc. | 160,010 | 140,244 | (7,013) | 133,231 |
| 119,272 | Douglas Dev't Partnership | 130,760 | 126,604 | - | 126,604 |
| (628,892) | Financial Provisions | (367,000) | 218,023 | (743,929) | (525,906) |
| 241,387 | Policy & Resources Admin | 309,850 | 317,229 | - | 317,229 |
| 31,724 | Information & Public Relations | 19,880 | 20,617 | - | 20,617 |
| 392,740 | Cost of Rate Collection | 424,500 | 426,337 | (9,888) | 416,449 |
| 60,579 | CCTV & Other Civic Property | 72,370 | 103,846 | (130) | 103,716 |
| 2,373 | St Georges Churchyard Fund | 2,290 | 6,963 | (4,673) | 2,290 |
| - | Rechargeable - TT & Events | - | 72,961 | (72,961) | - |
| - | Pension Admin Control A/C | - | 313,990 | (257,883) | 56,107 |
| <u>1,411,059</u> | | <u>1,328,440</u> | <u>3,457,357</u> | <u>(1,867,921)</u> | <u>1,589,436</u> |

The Public Health and Housing Cemetery and Crematorium Administration service is now incorporated within the Cemetery and Crematorium services respectively.

As of 2005/2006, the Policy & Resources Civic Property & Projects service has been renamed the CCTV and Other Civic Property service, reflecting the increased priority placed on public safety and security by the Council.

As of 2005/2006, the Pension Administration Control Account service (previously entitled Isle of Man Local Government Pensions Administration) includes those ex gratia payments made to past employees, which have been transferred here from Policy and Resources Miscellaneous and Leisure Services Tramways services. This is a rateborne cost and does not form part of the Local Government Pension Scheme.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

SUMMARY REVENUE ACCOUNTS (CONTINUED)

| 2004/2005 Net Cost £ | Committee and Service | Estimate £ | 2005/2006 Cost £ | Income £ | Net Cost £ |
|------------------------------|---|------------------|------------------------|---------------------|------------------|
| SUMMARY OF COMMITTEES | | | | | |
| 1,002,934 | Public Health and Housing | 969,660 | 11,678,083 | (10,591,316) | 1,086,767 |
| 2,496,586 | Public Works | 2,876,750 | 8,396,215 | (5,724,353) | 2,671,862 |
| 2,762,678 | Leisure Services | 2,682,980 | 3,357,388 | (533,378) | 2,824,010 |
| 1,411,059 | Policy and Resources | 1,328,440 | 3,457,357 | (1,867,921) | 1,589,436 |
| <u>7,673,257</u> | | <u>7,857,830</u> | <u>26,889,043</u> | <u>(18,716,968)</u> | <u>8,172,075</u> |
| (241,000) | Current Service Cost of Pension Scheme | | 895,000 | (1,044,000) | (149,000) |
| <u>7,432,257</u> | NET COST OF SERVICES | <u>7,857,830</u> | <u>27,784,043</u> | <u>(19,760,968)</u> | <u>8,023,075</u> |
| 172,000 | Pensions Interest Cost and Return on Pension Assets | | 964,000 | (719,000) | 245,000 |
| 7,604,257 | Net Operating Expenditure | | 28,748,043 | (20,479,968) | 8,268,075 |
| 69,000 | Movement on Pensions Reserve | | 1,044,000 | (1,140,000) | (96,000) |
| <u>7,673,257</u> | AMOUNT TO BE MET FROM RATE INCOME | | <u>29,792,043</u> | <u>(21,619,968)</u> | <u>8,172,075</u> |

NOTES TO SUMMARY REVENUE ACCOUNTS

1. Local Government (Entertainments) Act 1950

Under the terms of the above legislation, local authorities are empowered to spend up to a rate of 4p in the pound for the purposes of public entertainment, ceremony and in the reception and entertainment of distinguished persons. During the year the Council spent £31,185 (2004/2005: £20,382) on such items, including expenditure on Armistice Day, Civic Sunday, Manx National Week, the Family Fun Day fair held at Nobles Park, together with receptions held for various official visits. These costs are included within the Civic and Public service of the Policy and Resources Committee.

2. Pensions Costs

As part of its terms and conditions of employment of its employees, the Council offers retirement benefits. The Council participates in the Isle of Man Local Government Pension Scheme ("the Scheme"), which is also administered by the Council. This is a defined benefit statutory scheme, administered in accordance with the Isle of Man Local Government Superannuation Scheme Regulations 2003. The Scheme is contracted out of the State Second Pension Scheme. The Council and its employees pay contributions into the Scheme. These contributions are calculated at a level to balance the pensions liabilities with investment assets.

In 2005/2006 the Council paid an employer's contribution of £1.028M (2004/2005: £0.956M), representing 21.5% (2004/2005: 21.5%) of pensionable pay into the Pension Fund. The contribution rate is determined by the Fund's actuary based on triennial valuations, the last full review being at 31st March 2004. There were also contributions of £16,000 (2004/2005: £19,000) in respect of unfunded discretionary benefits granted by the Council.

Although the benefits accruing from the Pension Scheme are not actually payable until employees retire, the Council has a commitment to make such payments and disclose them at the time the employees earn that future entitlement. In line with requirements under FRS17, the Council recognises the cost of retirement benefits in the year that they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge that is actually made against ratepayers is based on the cash payment made to the Fund representing the employer's contributions in the year. The following table reconciles the charges within the Summary Revenue Accounts with the employer's contribution to the fund that is charged against ratepayers:

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

NOTES TO SUMMARY REVENUE ACCOUNTS (CONTINUED)

| 2004/2005 £'000 | | 2005/2006 £'000 |
|--------------------|---|--------------------|
| | Net Cost of Services: | |
| 734 | Current Service Cost of Pension Scheme | 895 |
| | Net Operating Expenditure: | |
| 769 | Interest Cost on Pension Scheme Liabilities | 964 |
| (597) | Expected Return on Scheme Assets | (719) |
| | Amount to be met from ratepayers: | |
| 69 | Movements on Pensions Reserve | (96) |
| | Actual Amount Charged Against Ratepayers in Year: | |
| <u>975</u> | Employer Contributions Payable to Scheme | <u>1,044</u> |

Further information regarding the Isle of Man Local Government Pension Scheme can be obtained on the Douglas Borough Council website (www.douglas.gov.im).

3. Members' Allowances

During 2005/2006 allowances paid to the Council's elected Members amounted to £34,755 (2004/2005: £35,555).

4. Remuneration/Emoluments of Employees

During the financial year, the number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 was:

| Number of Employees 2004/2005 | Remuneration Band | Number of Employees 2005/2006 |
|-------------------------------------|--------------------|-------------------------------------|
| - | £50,000 to £59,999 | 3 |
| 2 | £60,000 to £69,999 | 2 |
| 1 | £70,000 to £79,000 | 1 |

5. Related Party Transactions

Central Government has a significant level of interaction with the operations of the Council. It is responsible for providing the statutory framework within which the Council operates, and provides a significant element of funding for Council operations in the form of agency and various deficiency arrangements. Details of such transactions with Government Departments are shown in the separate note on agency income and expenditure (note 7)

Members of the Council have direct control over the Council's financial and operating policies. As contracts are let in compliance with the Council's Standing Orders, the risk of abuse of that position is minimal. Furthermore, where contracts or business with organisations that are closely linked with individual Members are being considered, proper consideration of declarations of interest is made, and relevant Members would not take any part in the discussion or decision relating to such matters. Two Members had interests in businesses which had dealings with the Council during the year. These transactions totalled £9,360 (2004/2005: £NIL), and were undertaken within the normal course of business on an arm's-length basis.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

NOTES TO SUMMARY REVENUE ACCOUNTS (CONTINUED)

Chief Officers are also deemed to be related parties to the Council. There were no significant transactions with these individuals other than payments falling within normal conditions of employment.

The Council is the administering authority for the Isle of Man Local Government Pension Scheme. Administration expenses incurred by the Council during the year amounted to £37,527 (2004/2005: £41,301) and relate to a combination of direct and indirect costs. This was charged to the Pension Scheme. The Council's Employer superannuation contributions into the scheme for 2005/2006 totalled £1,032,773 (2004/2005: £956,102).

The Council has representation on the Board of the Douglas Development Partnership, and the Council does contribute towards the operational and administrative costs of the Partnership, including salaries, office rental, lease car, and general grant. The total cost to the Council of this arrangement during 2005/2006 was £126,605 (2004/2005: £119,272). The Council also received £6,500 income from the Partnership during the year, as a contribution towards the costs of the hanging baskets function (2004/2005: £6,500). A balance of £41,450 was outstanding at the year end (2004/2005: £6,500). All transactions were performed at an arms length basis.

Under the Burials Act 1986, the churchwardens in charge of the Braddan and Onchan District Burial Grounds are entitled to levy a rate to the Council for the upkeep and maintenance of those cemeteries. The annual amount payable depends on the rateable value of the parishes and the prescribed amount of real estate as fixed by resolution of the respective churchwardens. Also under this legislation the Council has entered into an agreement with the St Georges Parish Churchwardens for the maintenance and upkeep of the Parish churchyard on behalf of the Churchwardens. The cost to the Council of these items was as follows during the financial year:

| 2004/2005 | Burials Act Expenditure | 2005/2006 |
|---------------|---|---------------|
| £ | | £ |
| 57,572 | Rate levy from Braddan Burial Ground Churchwardens | 62,145 |
| 1,779 | Rate levy from Onchan Burial Ground Churchwardens | 1,588 |
| 3,367 | Cost to Council of maintaining St Georges Parish Churchyard | 3,673 |
| <u>62,718</u> | Total expenditure under Burials Act | <u>67,406</u> |

6. Audit Costs

In 2005/2006, Douglas Borough Council incurred the following fees relating to external audit and inspection:

| 2004/2005 | | 2005/2006 |
|-----------|--|-----------|
| £ | | £ |
| 10,810 | Fees payable with regard to external audit services carried out by the appointed auditor | 11,469 |
| 300 | Fees payable in respect of other services by the appointed auditor | - |

The fee for other services in 2004/2005 related to specialist advice in respect of anti-money laundering systems.

7. Agency Income and Expenditure

The Council has a number of operations with various Government Departments, which are governed by agency agreements. The relevant Department reimburses the Council for this work,

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

including a contribution towards administrative cost. A summary of expenditure incurred in respect of the significant formal agency activities is shown in the table below:

NOTES TO SUMMARY REVENUE ACCOUNTS (CONTINUED)

| Government Department | 2004/2005 £ | Grant and Agency Details | 2005/2006 £ |
|---|---|--|----------------|
| Department of Transport | | Drainage Agency | |
| | 45,355 | Balance due from Government at beginning of year | 7,564 |
| | 683,019 | Net Operating Expenditure | 692,844 |
| | 728,374 | Total Agency Income due | 700,408 |
| | (720,810) | Government Reimbursement Received | (658,167) |
| | 7,564 | Balance due from Government at end of year | 42,241 |
| | | Street Cleaning & Gully Emptying | |
| | - | Balance due from Government at beginning of year | - |
| | 829,009 | Net Operating Expenditure | 742,912 |
| | 784,788 | Total Agency Income due (cash limited sum) | 716,070 |
| (784,788) | Government Reimbursement Received | (716,070) | |
| - | Balance due from Government at end of year | 5,767 | |
| 44,221 | Rateborne Deficit | 21,075 | |
| Department of Local Government and the Environment | | Council Housing Deficiency | |
| | 226,677 | Balance due from Government at beginning of year | 285,333 |
| | 1,639,179 | Net Operating Expenditure | 2,568,235 |
| | 1,103,656 | Total Agency Income due | 1,957,958 |
| | (818,323) | Government Reimbursement Received | (2,045,333) |
| | 285,333 | Balance due from Government at end of year | 197,958 |
| | 535,523 | Rateborne Deficit (Housing Administration) | 610,277 |
| | | Shaw's Brow Car Park Deficiency | |
| | 486,985 | Balance due from Government at beginning of year | 13,714 |
| | 298,526 | Net Operating Expenditure | 239,964 |
| 950,148 | Total Deficiency Grant due | 441,261 | |
| (936,434) | Government Reimbursement Received | (451,821) | |
| 13,714 | Balance due (to)/from Government at end of year | (10,560) | |
| Department of Tourism & Leisure | | Grandstand/Permanent Campsite | |
| | 2,742 | Balance due from Government at beginning of year | 1,182 |
| | 27,022 | Net Operating Expenditure | 43,122 |
| | 29,764 | Total Agency Income due | 44,304 |
| | (28,582) | Government Reimbursement Received | (44,757) |
| 1,182 | Balance due (to)/from Government at end of year | (453) | |

The Council also provides a number of other miscellaneous services to different Government Departments, including: maintaining the Villa Marina and National Sports Centre Gardens and various, ad hoc rechargeable works in connection with the TT and Manx Grand Prix festivals (Department of Tourism and Leisure); grounds maintenance along road verges and maintenance to zebra crossings and traffic lights (Department of Transport). Government grant is also received from the Department of Local Government and the Environment in respect of the Crematorium and also in respect of the Government levy charged for household waste.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

GENERAL RATE FUND

The following statement summarises the transactions on the General Rate Fund for the year, incorporating the expenditure for the several Committees with the rate income and balances held.

| 2004/2005 Actual £ | | Estimate £ | 2005/2006 Actual £ |
|--------------------------|-----------------------------------|--------------------|--------------------------|
| 7,673,257 | Amount to be met from Rate Income | 7,857,830 | 8,172,075 |
| <u>(7,331,527)</u> | Rate income for the year | <u>(7,763,330)</u> | <u>(7,873,452)</u> |
| <u>341,730</u> | Transfer from Balances | <u>94,500</u> | <u>298,623</u> |
| (2,896,014) | Surplus in hand brought forward | (2,546,745) | (2,554,284) |
| <u>(2,554,284)</u> | Surplus in hand carried forward | <u>(2,452,245)</u> | <u>(2,255,661)</u> |

RATE INCOME

Details of the amount raised from rates are shown in the table which follows. During 2005/2006 the income a penny rate generated increased by some 1.29% (2004/2005: 0.56%). Statutory allowances to the sum of £125,308 were given in 2005/2006 (2004/2005: £87,279) in respect of part year liability, charitable relief, etc., which amounted to 1.57% (2004/2005: 1.2%) of the amount due.

| 2004/2005 £ | | £ | 2005/2006 £ | £ |
|--------------------|---|------------------|------------------|--------------------|
| 321,231 | Rate arrears at the beginning of the year | | | 263,852 |
| 7,418,806 | Rates levied @317.00p | | 7,998,760 | |
| <u>(87,279)</u> | (2004/2005: 299.00p) Less statutory allowances | | <u>(125,308)</u> | |
| <u>7,331,527</u> | Net proceeds to General Rate Fund | | | <u>7,873,452</u> |
| 7,652,758 | Total due from ratepayers | | | 8,137,304 |
| (7,148,927) | Less: | | | |
| (239,979) | Net cash received | (7,780,522) | | |
| <u>(7,388,906)</u> | Discounts Granted | <u>(260,550)</u> | | |
| <u>263,852</u> | Total credits | | | <u>(8,041,072)</u> |
| | Rate arrears at year end | | | <u>96,232</u> |
| <u>24,520</u> | Product of a Penny Rate | | | <u>24,837</u> |

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

GENERAL RATE FUND BALANCE SHEET

| As At 31 st March 2005 £ | | £ | £ | As At 31 st March 2006 £ |
|---|--|------------------|-------------|---|
| 17,588,680 | Fixed Assets | | | 20,435,255 |
| 1,524,224 | Deferred Charges (see note 1) | | | 1,408,143 |
| 104,585 | Long Term Investments | | | - |
| <u>19,217,489</u> | Total Long Term Assets | | | <u>21,843,398</u> |
| | Current Assets | | | |
| 232,681 | Stocks | 240,880 | | |
| 2,877,952 | Debtors | 1,661,021 | | |
| 7,007,567 | Cash In Hand | <u>6,169,908</u> | | |
| <u>10,118,200</u> | Total Current Assets | | 8,071,809 | |
| | Less Current Liabilities | | | |
| (1,192,371) | Creditors/receipts in advance | (923,362) | | |
| (766,952) | Cash Overdrawn | - | | |
| <u>(1,959,323)</u> | Total Current Liabilities | | (923,362) | |
| | Total Assets Less Current Liabilities | | | <u>28,991,845</u> |
| | Less Long Term Liabilities | | | |
| (7,184,000) | Liability related to Defined Benefit Pension Scheme (see note 2) | | (7,390,000) | |
| <u>20,192,366</u> | NET ASSETS | | | <u>21,601,845</u> |
| | Financed by | | | |
| 13,172,933 | Long Term Borrowing | | | 13,514,174 |
| 96,980 | Finance Leases | | | 30,272 |
| 1,636,265 | Capital Receipts Unapplied | | | 267,518 |
| 4,916,628 | Capital Discharged | | | 8,246,204 |
| (7,184,000) | Pensions Reserve | | | (7,390,000) |
| 4,999,276 | Specific Reserves (see page 19) | | | 4,678,016 |
| 2,554,284 | Revenue Balances | | | <u>2,255,661</u> |
| <u>20,192,366</u> | TOTAL EQUITY | | | <u>21,601,845</u> |

NOTES TO GENERAL RATE FUND BALANCE SHEET

1. Deferred Charges

The balance on the deferred charges relates to loans outstanding on the drainage infrastructure assets, the balance of which is reduced each year by the amount of loan repayments. These are a charge into the General Rate Fund and recovered from the Department of Transport as part of the Drainage Agency.

2. Pension Scheme Liability

The liability on the Council's portion of the Isle of Man Local Government Pension Scheme is now reflected within the General Rate Fund Balance Sheet. A full explanation of the accounting treatment is provided within the notes to the Consolidated Balance Sheet.

D W CHRISTIAN J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
28th July 2006

G M BOLT, CPFA.
BOROUGH TREASURER
28th July 2006

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

HOUSING REVENUE ACCOUNT

Subject to compliance by the Council with the all-Island housing financial plan, the Government pays the Council a deficiency grant, which generally meets the cost of Housing provision. The balance of the administration costs of the Housing function, which is not met by the Government Deficiency Grant (being subject to the upper limit of 5% of the rent received during the year), remains as a rateborne cost. During 2005/2006, this amounted to £0.610M (2004/2005: £0.535M). The transactions in respect of public sector housing are summarised in the following table.

| 2004/2005 | | 2005/2006 |
|------------------|---|------------------|
| £ | | £ |
| 1,481,268 | Allowance transferred to Housing Repairs Fund | 1,603,527 |
| 972,744 | Borough and Water Rates | 1,074,544 |
| 62,162 | Architectural services (as allowable within Housing Deficiency arrangement with Government) | 56,772 |
| 197,227 | Ballanard & Waverley Court operating expenses | 230,396 |
| 3,447,301 | Loan charges | 4,453,874 |
| 757,713 | Housing Administration Costs | 850,806 |
| 27,086 | Transfer to Housing Community Facilities Reserve Fund | 28,537 |
| 6,945,501 | Total Housing Cost | 8,298,456 |
| (5,306,322) | Less Rental Income (inclusive) | (5,730,221) |
| (1,103,656) | Less Government Deficiency Grant | (1,957,958) |
| 535,523 | Rateborne Deficit (Housing Administration) | 610,277 |

The prior year figures in the above statement have been restated and re-presented to show the full rateborne impact of the administrative costs associated with the Housing function.

HOUSING REVENUE ACCOUNT RESERVES

The Council maintains the reserve funds shown in the table below in accordance with the provisions of Government Housing Policy. In the case of the Housing Repairs Fund, this is funded by an annual transfer from the Housing Revenue Account of an amount equal to one third of net rent income. The Housing Community Facilities Reserve Fund, which meets the cost of various facilities provided within the sheltered housing accommodation complexes, is funded on the basis of 10% of sheltered housing accommodation rents receivable. The Funds' income includes interest on their opening balances.

| Balance in hand | Fund | Income | Expended | Balance in hand |
|------------------------|------------------------------|----------------|-----------------|------------------------|
| As At | | In Year | In Year | As At 31.3.06 |
| 31.3.05 | | £ | £ | £ |
| £ | | | | |
| 213,078 | Housing Repairs | 11,471 | (45,795) | 178,754 |
| 304,847 | Community Facilities Reserve | 47,293 | (21,148) | 330,992 |
| 517,925 | Total Housing Reserves | 58,764 | (66,943) | 509,746 |

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

HOUSING REVENUE ACCOUNT BALANCE SHEET

| As At 31st March 2005 | | | | | As At 31st March 2006 |
|--------------------------|---------------------------|----------------|------------------|--|--------------------------|
| £ | | £ | £ | | £ |
| 54,893,083 | Fixed Assets (see note 1) | | | | 63,189,861 |
| <u>54,893,083</u> | Total Long Term Assets | | | | <u>63,189,861</u> |
| | Current Assets | | | | |
| 380,300 | Debtors | 291,220 | | | |
| - | Cash In Hand | <u>133,800</u> | | | |
| <u>380,300</u> | Total Current Assets | | 425,020 | | |
| | Less Current Liabilities | | | | |
| | Creditors and Receipts in | | | | |
| (109,485) | Advance | (112,369) | | | |
| <u>(37,449)</u> | Cash Overdrawn | <u>-</u> | | | |
| <u>(146,934)</u> | Total Current Liabilities | | <u>(112,369)</u> | | |
| | Net Current Assets | | | | 312,651 |
| <u>233,366</u> | | | | | |
| <u>55,126,449</u> | NET ASSETS | | | | <u>63,502,512</u> |
| | Financed by | | | | |
| 42,080,529 | Long Term Borrowing | | | | 46,757,133 |
| 12,527,995 | Capital Discharged | | | | 16,235,633 |
| <u>517,925</u> | Reserves (see page 14) | | | | <u>509,746</u> |
| <u>55,126,449</u> | TOTAL EQUITY | | | | <u>63,502,512</u> |

NOTE TO HOUSING REVENUE ACCOUNT BALANCE SHEET

1. Fixed Assets

The increase in the Housing Revenue Account fixed assets position includes £5.7M (2004/2005: £8.9M) investment into new Council Housing stock, including the Lower Pulrose and the Tynwald Street Flats Redevelopment Schemes. The financing of this expenditure is normally by way of loan, while the long term cost of that borrowing is met by the annual Deficiency Grant claimed from the Department of Local Government and the Environment.

D W CHRISTIAN J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
28th July 2006

G M BOLT, CPFA.
BOROUGH TREASURER
28th July 2006

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

CAPITAL ACCOUNTS

The capital accounts of the Council record the expenditure incurred in the provision of assets and other long term outlay. These items are generally financed by loans in the form of mortgage bonds or by the use of internal balances. Provision for repayment of these liabilities is on the basis of sinking fund calculations with annual accumulation currently set at 5%. Repayments, with interest on the balance of principal outstanding, are charged to the appropriate revenue accounts. During the 2005/2006 financial year the average rate of interest amounted to 6.0% (2004/2005: 6.1%).

CAPITAL EXPENDITURE FINANCING

| 2004/2005 | | 2005/2006 | |
|---------------------|---|-------------|---------------------|
| £ | | £ | £ |
| | Capital Expenditure | | |
| 10,856,607 | Public Health and Housing Committee Schemes | 8,502,496 | |
| 1,751,219 | Public Works Committee Schemes | 2,625,105 | |
| 251,992 | Leisure Services Committee Schemes | 326,394 | |
| 627,526 | Policy and Resources Committee Schemes | 397,891 | |
| <u>13,487,344</u> | Total capital expenditure | | 11,851,886 |
| | Capital Income | | |
| (11,168,101) | Advanced from loans pool during the year | (9,268,351) | |
| (1,129,407) | Financed by capital receipts, reserves, grants, revenue (see note 1) | (3,532,994) | |
| <u>(12,297,508)</u> | Total capital income in the year | | <u>(12,801,345)</u> |
| 1,189,836 | Change in expenditure financed by internal loans in year | | (949,459) |
| 26,128 | Capital cash overdrawn at the start of the year (internal loans) | | <u>1,215,964</u> |
| <u>1,215,964</u> | Balance of capital expenditure financed by internal loan (see note 2) | | <u>266,505</u> |

NOTES TO CAPITAL EXPENDITURE FINANCING STATEMENT

1. Capital Receipts

Capital Income for 2005/2006 includes a capital receipts figure of £2M on account from the Department of Local Government and the Environment in respect of the construction and sale of housing properties for onward sale as First Time Buyer housing. This was agreed with the Government Department as forming part of the overall Lower Pulrose Housing Development.

2. Capital Cash Overdrawn

The overdrawn position relates largely to a number of Housing and rateborne projects, which have initial fees and preliminary costs awaiting petitions for borrowing during the next financial year.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

CAPITAL ACCOUNTS (CONTINUED)

STATEMENT OF CAPITAL ASSETS AND OTHER LONG TERM OUTLAY

The statement below presents the movement of fixed asset balances, across category, since the last balance sheet date. The presentation of this statement has been changed to provide more information across the various types of asset. All fixed asset balances are presented at historical cost.

| As At 31st March 2005 £ | Fixed Assets Category | Additions £ | Disposals/ Writedowns £ | As At 31st March 2006 £ |
|-------------------------------|-------------------------------------|-------------------|-------------------------------|-------------------------------|
| 54,893,083 | Housing Property (see note 1) | 8,296,778 | - | 63,189,861 |
| 11,292,001 | Other Land & Buildings (see note 1) | 2,286,459 | (102,619) | 13,475,841 |
| 3,461,141 | Fixed Plant | 766,874 | (66,708) | 4,161,308 |
| 3,158,498 | Plant & Vehicles | 501,777 | (498,768) | 3,161,506 |
| <u>72,804,723</u> | Total | <u>11,851,888</u> | <u>(668,095)</u> | <u>83,988,516</u> |

NOTE TO STATEMENT OF CAPITAL ASSETS AND OTHER LONG TERM OUTLAY

1. Property Fixed Assets

The estimated rebuild costs of properties owned by the Council as at 31st March 2006 is £193.338M (2004/2005: £185.398M), comprising £138.693M (2004/2005:£133,359M) Housing properties and £54.645M (2004/2005: £52.039M) other.

LOANS POOL FUNDING

| 2004/2005 £ | | £ | 2005/2006 £ |
|--------------------|--|---------------------|------------------|
| <u>9,507,302</u> | Balance overdrawn at year beginning | | 7,520,809 |
| (270,000) | Sums invested by lenders during the year | | |
| (16,123,000) | New bonds | (400,000) | |
| (16,393,000) | Bank Borrowing | <u>(11,543,253)</u> | (11,943,253) |
| | Total invested | | |
| <u>(1,616,856)</u> | Repayments from borrowing accounts | | (4,258,367) |
| 4,855,262 | Repaid to lenders during the year | | |
| - | Bond repayments | 5,435,725 | |
| <u>4,855,262</u> | Bank loan repayments/other repayments | <u>1,107,103</u> | 6,542,828 |
| | Total repaid during the year | | |
| 608,073 | Loaned to borrowing accounts during the year | | |
| 29,417 | General Rate Fund | 905,247 | |
| 10,530,611 | Tramways Account | - | |
| <u>11,168,101</u> | Housing Account | <u>8,363,105</u> | 9,268,352 |
| | Total loaned during the year | | |
| <u>7,520,809</u> | Balance overdrawn at year end | | <u>7,130,369</u> |

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

LOANS POOL BALANCE SHEET

| As At 31st March 2005 £ | | £ | £ | £ |
|-------------------------------|-----------------------------------|-------------|--------------|--------------|
| | Long Term Assets | | | |
| 55,433,455 | Loans Fund Advances | | 60,444,918 | |
| 6,842 | Long Term Investments | | 7,634 | |
| 55,440,297 | Total Long Term Assets | | | 60,452,552 |
| | Current Assets | | | |
| 369 | Debtors | 2,382 | | |
| 369 | Total Current Assets | | 2,382 | |
| | Less Current Liabilities | | | |
| (405,517) | Creditors | (543,923) | | |
| (23,323,000) | Short Term Borrowing (see note 1) | (7,474,000) | | |
| (7,115,661) | Cash Overdrawn | (6,588,828) | | |
| (30,844,178) | Total Current Liabilities | | (14,606,751) | |
| (30,843,809) | Net Current Liabilities | | | (14,604,369) |
| 24,596,488 | NET ASSETS | | | 45,848,183 |
| | Financed By | | | |
| 24,596,488 | Loans Outstanding (see note 2) | | | 45,848,183 |
| 24,596,488 | TOTAL EQUITY | | | 45,848,183 |

NOTES

1. Short Term Borrowing

Together with the Department of Local Government and the Environment, the Council has reviewed its borrowing arrangements. As at 31st March 2005, the new arrangements for Council borrowing through the Council's bankers had not been finalised, so all new borrowing was by way of a short term loan facility with the Council's bankers. The new long term borrowing facility was subsequently implemented during the 2005/2006 financial year.

2. Bond Issues and Loans Outstanding

As the Council's borrowings are now by way of bank loan facility, no new Bonds are being issued, and Bonds are repaid, rather than renewed, at time of maturity.

D W CHRISTIAN J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
28th July 2006

G M BOLT, CPFA.
BOROUGH TREASURER
28th July 2006

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

GENERAL RATE FUND RESERVES

The Council maintains a number of reserve funds to make provision for meeting the future costs of various items. These are summarised in the table below. The funds are operated under the provisions of the Local Government Act 1985. Contributions are made to the funds on the basis of either a lump sum or the costs of the asset in question. The funds income includes interest on their opening balances. Expenditure as approved by the Council is charged to these funds. In the case of the reserve fund held for the maintenance of graves in perpetuity and Library bequests, sums received are invested in mortgage bonds. Interest earned is credited directly to the Cemetery and the Library services.

| Balance In Hand At 31.3.05 £ | Fund | Income In Year £ | Expended In Year £ | Balance In Hand At 31.3.06 £ | Committed Expenditure £ |
|--|--|------------------------|--------------------------|---------------------------------------|-------------------------------|
| 2,799,524 | Plant Renewals | 431,828 | (501,777) | 2,729,575 | (3,545,900) |
| 409,880 | Cremator Renewals | 58,845 | (20,204) | 448,521 | (257,510) |
| 480 | Bequests | - | - | 480 | - |
| 390,028 | Special Works | 110,390 | (205,104) | 295,314 | (322,753) |
| 470,466 | Provision For Derelict Buildings | - | - | 470,466 | (80,000) |
| 143,608 | Wheeled Bins (see note 1) | - | (143,608) | - | - |
| | Building Maintenance (Commercial) | 25,974 | (21,225) | 241,418 | (147,000) |
| 236,669 | Community Projects/Environmental Impact | - | (1,616) | 152,848 | (106,800) |
| 154,464 | Information Technology | - | (24,328) | 109,210 | (122,310) |
| 133,538 | Health And Safety | - | (32,212) | 65,630 | (24,560) |
| 97,842 | St. George's Churchyard | 6,449 | (4,673) | 60,448 | (60,448) |
| 58,672 | Graves Maintenance | - | - | 104,105 | - |
| 104,105 | Prov'n For Stock And Stores | | | | |
| 4,999,276 | Total Specific Reserves | 633,486 | (954,747) | 4,678,015 | (4,667,281) |

NOTES TO GENERAL RATE FUND RESERVES

1. Wheeled Bins Fund

The Wheeled Bins Fund balance was transferred into the Plant Renewals Fund as at 31st March 2006.

2. Committed Expenditure

Committed expenditure includes amounts set aside for miscellaneous revenue and capital items, dependent upon the Reserve in question. In the case of Plant Renewals the replacement cost is shown which is greater than the Fund requiring future contributions to be made.

Details of Commitments against the Funds are Published in the Annual Estimates Book, a copy of which is held at the Henry Bloom Noble Library.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

CONSOLIDATED BALANCE SHEET

This Balance Sheet summarises the overall position of the Council's financial position as at 31st March 2006. All internal debtors and creditors have been eliminated. The Superannuation Fund and the Charity Accounts are not included, and are published separately.

| As At 31st March 2005 £ | | £ | £ | As At 31st March 2006 £ |
|-------------------------------|--|------------------|--------------------|-------------------------------|
| 72,804,723 | Fixed Assets | | 83,988,516 | |
| 1,524,224 | Deferred Charges | | 1,408,143 | |
| <u>6,842</u> | Long Term Investments | | <u>7,634</u> | |
| <u>74,335,789</u> | Total Long Term Assets | | | 85,404,293 |
| | Current Assets | | | |
| 270,644 | Stocks (note 1) | 275,225 | | |
| <u>3,258,620</u> | Debtors (note 2) | <u>1,954,623</u> | | |
| 3,529,264 | Total Current Assets | | 2,229,848 | |
| | Less Current Liabilities | | | |
| (1,710,120) | Creditors | (1,583,440) | | |
| (23,323,000) | Short Term Borrowing | (7,474,000) | | |
| <u>(839,592)</u> | Cash Overdrawn | <u>(202,136)</u> | | |
| <u>(25,872,712)</u> | Total Current Liabilities | | <u>(9,259,576)</u> | |
| <u>51,992,341</u> | Total Assets less Current Liabilities | | 78,374,565 | |
| | Less Long Term Liabilities | | | |
| (7,184,000) | Liability related to Defined Benefit Pension Scheme (note 4) | | (7,390,000) | |
| <u>44,808,341</u> | NET ASSETS | | | <u>70,984,565</u> |
| | Financed by | | | |
| 24,491,902 | Long Term Borrowing | | | 45,848,183 |
| 96,980 | Finance Leases | | | 30,272 |
| 5,630,362 | Reserves (see pages 14, 19, 25) | | | 5,301,353 |
| 1,636,265 | Capital Receipts Unapplied | | | 267,518 |
| (7,184,000) | Pensions Reserve | | | (7,390,000) |
| 2,554,284 | Revenue Balances | | | 2,255,661 |
| <u>17,582,548</u> | Capital Discharged | | | <u>24,671,578</u> |
| <u>44,808,341</u> | TOTAL EQUITY | | | <u>70,984,565</u> |

D W CHRISTIAN J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
28th July 2006

G M BOLT, CPFA.
BOROUGH TREASURER
28th July 2006

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

NOTES TO CONSOLIDATED BALANCE SHEET

1. Stocks

A Provision for Obsolete Stock figure of £15,080 (2004/2005: £NIL) is applied to reduce the Stock balance as at 31st March 2006.

2. Debtors

The Provision for Bad Debts figure of £251,392 (2004/2005: £428,525) is applied to reduce the Debtors balance as at 31st March 2006

3. Receipts and Payments in Advance

Debtors include payments in advance while Creditors include receipts in advance.

4. Net Pensions Liability

As explained in note 2 to the Summary Revenue Accounts the Council participates in the Isle of Man Local Government Pension Scheme. In accordance with the FRS17 – Retirement Benefits, the Council must disclose its share of the assets and liabilities related to the Scheme for its employees. The assets and liabilities of the Scheme as at 31st March 2006 were valued by the Fund's actuaries, Hymans Robertson, using the projected unit method, which assesses the future liabilities of the Scheme discounted to their present value. The main financial assumptions used in the calculations are:

| As At 31 March 2005 % per Annum | Assumptions | As At 31st March 2006 % per annum |
|---------------------------------------|---|---|
| 2.9% | Rate of inflation | 3.1% |
| 4.4% | Rate of increase in salaries | 4.6% |
| 2.9% | Rate of increase in pensions | 3.1% |
| 5.4% | Rate for discounting Scheme liabilities | 4.9% |

The actuary has also adopted a set of demographic assumptions that are consistent with those used for the Pension Scheme at the last triennial valuation on 31st March 2004. The actuary used this valuation as the basis for the FRS17 calculations.

The assets in the Isle of Man Local Government Pension Scheme are valued at fair value, principally market value for investments, and the asset categories are shown in the Isle of Man Local Government Pension Scheme Accounts.

The fair value of assets and liabilities held by the Council within the Scheme are as follows:

| Distribution As At 31st March 2005 | | Long Term Return Per Annum As At 31 st March 2006 | Distribution As At 31st March 2006 | |
|---------------------------------------|--------------|---|---------------------------------------|--------------|
| £'000 | % | % | £'000 | % |
| 6,505 | 62.4 | 7.4 | 8,854 | 62.5 |
| 1,907 | 18.3 | 4.6 | 2,295 | 16.2 |
| 969 | 9.3 | 5.5 | 1,573 | 11.1 |
| 1,042 | 10.0 | 4.6 | 1,445 | 10.2 |
| <u>10,423</u> | <u>100.0</u> | <u>6.4</u> | <u>14,167</u> | <u>100.0</u> |
| | | | | |
| (17,403) | | | (21,377) | |
| (204) | | | (180) | |
| <u>(17,607)</u> | | | <u>(21,557)</u> | |
| | | | | |
| <u>(7,184)</u> | | | <u>(7,390)</u> | |

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

NOTES TO CONSOLIDATED BALANCE SHEET (CONTINUED)

The impact of complying in full with FRS17 has been to reduce the total net worth of the Council by £7.390M (2004/2005: £7.184M). An analysis of the movement in the liability position during the year as shown on the Balance Sheet is presented below:

| 2004/2005 | | 2005/2006 |
|------------------|---|------------------|
| £'000 | | £'000 |
| (5,325) | Net Pensions Liability at beginning of the year | (7,184) |
| | Movements in the year: | |
| (734) | Current service cost | (895) |
| 956 | Employer contributions | 1,028 |
| 19 | Contributions in respect of unfunded benefits | 16 |
| (172) | Net return on employers assets | (245) |
| (1,928) | Actuarial losses | (110) |
| (7,184) | Net Pensions Liability at end of year | (7,390) |

The actuarial gains have been further analysed in the following table, measured as absolute amounts and as a percentage of assets or liabilities as at the end of the financial year:

| 2004/2005 | | | 2005/2006 | |
|------------------|---|---|------------------|---|
| £'000 | Actuarial Gain/ Loss as % of Assets/ Liabilities | | £'000 | Actuarial Gain/ Loss as % of Assets/ Liabilities |
| 10,423 | | Value of assets at end of year | 14,167 | |
| 458 | 4.4% | Difference between the expected and actual return on assets | 2,389 | 16.9% |
| 17,606 | | Total present value of liabilities | 21,557 | |
| 481 | 2.7% | Experience Gains on liabilities | 27 | 0.1% |
| (1,928) | (11.0)% | Actuarial Losses Recognised in the Statement | (110) | (0.5)% |

The above figures have been provided by the actuaries to the Isle of Man Local Government Pension Scheme using information provided by the Scheme, and assumptions determined by the Council in conjunction with the actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations could be affected by uncertainties within a range of possible values.

The net liability represents the difference between the value of the Council's share of assets in the Scheme and the value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2006 would also have an impact on the capital value of pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Scheme, due to be carried out as at 31st March 2007. Their advice on whether or not there is any anticipated shortfall in the funding of the Scheme at that time will determine the future level of pension contributions. The planned level of contribution rates aim to recover the above liabilities over the next 17 years.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

CONSOLIDATED STATEMENT OF REVENUE AND CAPITAL MOVEMENTS

This statement consolidates all income and expenditure on both capital and revenue accounts. Internal transfers between accounts have been eliminated.

| 2004/2005 | | 2005/2006 | |
|---------------------|---|------------------|---------------------|
| £ | | £ | £ |
| | Expenditure | | |
| | Revenue account expenditure | | |
| 6,553,019 | Employment costs | 7,688,671 | |
| 8,697,778 | Other operating costs | 8,099,591 | |
| <u>2,493,073</u> | Interest and lease payments | <u>3,037,945</u> | |
| 17,743,870 | | | 18,826,207 |
| | Capital account expenditure | | |
| <u>13,487,344</u> | Fixed assets and other long term investments | | <u>11,851,886</u> |
| <u>31,231,214</u> | Total revenue and capital expenditure | | <u>30,678,093</u> |
| | Income | | |
| | Revenue account income | | |
| (4,505,323) | Government income | (5,392,879) | |
| (1,849,441) | Charges for Goods and Services | (1,916,573) | |
| (6,009,116) | Net Rents | (6,440,200) | |
| (7,148,927) | Net receipts from rates | (7,780,522) | |
| <u>(299,447)</u> | Other income | <u>(201,477)</u> | |
| (19,812,253) | Total revenue income | | (21,731,651) |
| <u>(11,681)</u> | Capital receipts (see note 1) | | <u>(3,046,837)</u> |
| <u>(19,823,935)</u> | Total revenue and capital income | | <u>(24,778,488)</u> |
| <u>11,407,279</u> | Net expenditure | | <u>5,899,605</u> |
| | Financed by | | |
| (4,647,538) | Net change in long term borrowing and finance leases | | 21,289,573 |
| | Net change in short term indebtedness and changes in other current assets and liabilities | | |
| (72) | Short Term Investments | (792) | |
| (22,845) | Stocks | (4,581) | |
| (329,623) | Debtors | 1,303,997 | |
| 16,123,000 | Net change in short term borrowing | (15,849,000) | |
| (116,029) | Creditors | (202,136) | |
| 400,386 | Cash | <u>(637,456)</u> | |
| 16,054,817 | | | (15,389,968) |
| <u>11,407,279</u> | Total Financing | | <u>5,899,605</u> |

NOTE TO CONSOLIDATED STATEMENT OF REVENUE AND CAPITAL MOVEMENTS

1. Capital Receipts

The capital receipts figure for 2005/2006 includes a Government payment of £2M on account in respect of the construction and sale of housing properties for onward sale as First Time Buyer housing, as part of the Lower Pulrose Housing Development.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

TRAMWAYS ACCOUNTS

The Council operates a unique transport undertaking in the form of horse drawn trams, which run along the seafront of Douglas. In compliance with the Accounts and Audit Act Regulations 1984, made under the Audit Act 1983, the Council is required to keep separate accounts for the Tramways Undertaking. A summary of the accounts of this operation is shown below.

TRAMWAYS UNDERTAKING - REVENUE ACCOUNT

| 2004/2005 | | 2005/2006 |
|----------------|--|----------------|
| £ | | £ |
| | Expenditure | |
| 213,630 | Employee Costs | 219,181 |
| 19,332 | Property & Fixed Plant | 22,286 |
| 14,755 | Transport and Plant | 17,116 |
| 31,404 | Supplies | 32,175 |
| 7,583 | Central Support Services | 8,063 |
| 16,783 | Capital Finance | 18,079 |
| <u>303,487</u> | | <u>316,900</u> |
| | Income | |
| (71,370) | Traffic receipts | (75,484) |
| <u>(4,167)</u> | Other income | <u>(6,224)</u> |
| (75,537) | | (81,708) |
| <u>227,950</u> | Net deficit transferred to General Rate Fund | <u>235,192</u> |

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2006

TRAMWAYS UNDERTAKING - BALANCE SHEET

| As At 31st March 2005 £ | | £ | £ | As At 31st March 2006 £ |
|-------------------------------|---------------------------|---------|---------|-------------------------------|
| 322,960 | Fixed Assets | | | 363,400 |
| | Current Assets | | | |
| 37,963 | Stocks | 34,345 | | |
| 72,903 | Cash | 82,984 | | |
| 110,866 | Total Current Assets | | 117,329 | |
| | Less Current Liabilities | | | |
| (2,747) | Creditors | (3,786) | | |
| (2,747) | Total Current Liabilities | | (3,786) | |
| 108,119 | Net Current Assets | | | 113,543 |
| 431,079 | NET ASSETS | | | 476,943 |
| | Financed By | | | |
| 179,993 | Long Term Borrowing | | | 173,611 |
| 137,925 | Capital Discharged | | | 189,741 |
| 113,161 | Reserves (see below) | | | 113,591 |
| 431,079 | TOTAL EQUITY | | | 476,943 |

TRAMWAYS FUND RESERVES

| Balance In Hand At 31.3.05 £ | Fund | Income In Year £ | Expended In Year £ | Balance in hand At 31.3.06 £ |
|--|---------------------------------|------------------------|--------------------------|---------------------------------------|
| 75,198 | Tramways Renewals Fund | 4,048 | - | 79,246 |
| 37,963 | Provision for Stocks and Stores | - | (3,618) | 34,345 |
| 113,161 | Total Tramways Reserves | 4,048 | (3,618) | 113,591 |

D W CHRISTIAN J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
28th July 2006

G M BOLT, CPFA.
BOROUGH TREASURER
28th July 2006

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31ST MARCH 2006

Statement of Trustees' Responsibilities

For the year ended 31st March 2006

Charity law requires the Douglas Borough Council as Trustees to prepare financial statement for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the income over expenditure of the charity for that period. In preparing these financial statements, the Council as Trustees are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Council as Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity which will enable them to ensure that the financial statements comply with the Charities Registration Act 1989. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent the detect fraud and other irregularities.

DOUGLAS BOROUGH COUNCIL - ABSTRACT OF ACCOUNTS

YEAR ENDED 31ST MARCH 2006

CHARITY ACCOUNTS

Under the provisions of the Public Charities Act 1922 and the Charities Registration Act 1989, the Corporation stands as the trustee for five charities. Their accounts are summarised below:-

| 2004/05 Total Trusts | 2005/06 | | | | | Total Trusts | |
|---|--------------------------------|---------------------------|---------------------------------------|--|--------------------|-----------------|--------------|
| | Aillsopp Trust | Percy Neville Trust | Samuel Norris (Prison) Trust | Samuel Norris (Political) Trust | J.K. Ward Trust | | |
| £ | £ | £ | £ | £ | £ | £ | |
| Amounts held in trust at start of the year | | | | | | | |
| 1,650 | Invested | 150 | 1,200 | 100 | 200 | 0 | 1,650 |
| 1,703 | Cash | 2 | 1,528 | 10 | 135 | 160 | 1,835 |
| <u>3,353</u> | Total | <u>152</u> | <u>2,728</u> | <u>110</u> | <u>335</u> | <u>160</u> | <u>3,485</u> |
| Transactions during the year | | | | | | | |
| (132) | Income | (1) | (10) | (4) | (18) | 0 | (33) |
| 0 | Expenditure | 153 | 2,738 | 114 | 0 | 160 | 3,165 |
| <u>(132)</u> | (Surplus)/Deficit for the year | <u>152</u> | <u>2,728</u> | <u>110</u> | <u>(18)</u> | <u>160</u> | <u>3,132</u> |
| Amounts held in trust at end of the year | | | | | | | |
| 1,650 | Invested | 0 | 0 | 0 | 200 | 0 | 200 |
| 1,835 | Cash | 0 | 0 | 0 | 153 | 0 | 153 |
| <u>3,485</u> | Total | <u>0</u> | <u>0</u> | <u>0</u> | <u>353</u> | <u>0</u> | <u>353</u> |
| Represented by Charity Accounts | | | | | | | |
| 975 | Capital | 0 | 0 | 0 | 200 | 0 | 200 |
| 2,510 | Revenue | 0 | 0 | 0 | 153 | 0 | 153 |
| <u>3,485</u> | Total | <u>0</u> | <u>0</u> | <u>0</u> | <u>353</u> | <u>0</u> | <u>353</u> |

| Closed during Year: | Yes | Yes | Yes | No | Yes |
|---------------------|--|-------------------------|---------------------|----|----------------------|
| Transferee: | Douglas Corporation for War Memorial Works | Children's Amenity Fund | Manx Courts Mission | - | Peel Endowments Fund |

Notes to the Accounts:-

1. Accounting Policies

- (a) **Basis of Preparation** - The financial statements have been prepared in accordance with the historical cost convention on a consistent basis with prior years.
- (b) **Income and Expenditure** - Income and Expenditure is accounted for on a receipts and payments basis and no account has been taken of accruals and prepayments.

2. Closures

During the year four of the five charities above have been closed and the accumulated fund transferred. These four charities are identified above along with the transferees.

3. Charitable Status

The organisations are established as charities under the Charities Registration Act 1989

4. Taxation

The charities are not liable to Manx Income Tax as they are registered charities.

D.W. CHRISTIAN, J P
CHAIRMAN OF POLICY & RESOURCES COMMITTEE
June 2006

G.M. BOLT CPFA
BOROUGH TREASURER
June 2006

Independent Auditors' Report to the Trustees of the Douglas Borough Council - Charity Accounts

We have audited the financial statements of Douglas Borough Council - Charity Accounts for the year ended 31 March 2006 set out on page C2. These financial statements have been prepared under the historical cost convention and the accounting policies are set out on page C2. The Douglas Borough Council - Charity Accounts consist of the following charities:

| | |
|-----|---|
| 92 | Alsopp Trust Account |
| 13 | Percy Neville Trust Account |
| 166 | Samuel Norris (Prison) Trust Account |
| 165 | Samuel Norris (Political) Trust Account |
| 28 | J.K. Ward Trust Account |

Whilst four of the above five charities closed during the year, an audit was still conducted for transactions that had occurred prior to closing.

This report is made solely to the trustees as a body, in accordance with the Charities Registration Act 1989. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditors' 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 charities and the charities' trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditors

As described on page C1, the charities' trustees, being Douglas Borough Council, are responsible for the preparation of the financial statements in accordance with applicable Isle of Man law.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Registration Act 1989 and the provisions of the documents constituting the charities. We also report to you if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the charities' affairs as at 31 March 2006 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Registration Act 1989 and the provisions of the documents constituting the charities.

MOORE STEPHENS
Chartered Accountants
Douglas
Isle of Man

20 October 2006