



**DOUGLAS
BOROUGH COUNCIL**

**Administering
Authority**

CAPITA HARTSHEAD

Contract Administrators

**ISLE OF MAN LOCAL GOVERNMENT
SUPERANNUATION SCHEME**

**ANNUAL REPORT
AND
ACCOUNTS**

**YEAR ENDING
31st MARCH 2009**

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BLACKROCK

Fund Manager

HYMANS  ROBERTSON

Actuarial and Investment Support

Being a public service pension scheme as defined by the Pension Schemes Act 1993 (an Act of UK Parliament), the Isle of Man Local Government Superannuation Scheme 2003 is statutorily exempt from the overriding provisions relating to the issue and content of a pension scheme's annual report; nevertheless, every effort has been made to ensure that this Report meets the major requirements imposed on other schemes, allowing for the differences between statutory schemes and those operating under trust. Furthermore, the financial statements have been prepared in accordance with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised May 2007), ("the pensions SORP") as far as is practicable.

Table of Contents

	Page No.
The Administering Authority and their Advisers	1
Report by the Douglas Borough Council	2
Introduction	2
Management	2
Administration	3
Membership and Beneficiaries	5
Actuarial Valuation	7
Registration under the Data Protection Act 2002	8
Certificate by the Responsible Financial Officer	8
Investments	9
Limits	9
Strategy and Management	10
Performance	10
Investment Manager's Report	11
Custodial Arrangements	12
Investment Accounting and Banking Arrangements	13
Remuneration Basis of the Investment Manager	14
Actuarial Statement	15
Independent Auditors' Report	16
Foreword to the Financial Statements	18
Financial Statements for the year ended 31 March 2009	19
Fund Account	19
Net Assets Statement	20
Notes to the Financial Statements	21
Scheme Rules and Benefits	28
Enquiries	30

ISLE OF MAN LOCAL GOVERNMENT SUPERANNUATION SCHEME

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED
31 MARCH 2009

Administering Authority
Douglas Borough Council

Chief Executive
Miss K J Rice, BA (Hons) Solicitor

Borough Treasurer
Mr G M Bolt, CPFA

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Scheme Administrator
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Investment Manager
BlackRock (Isle of Man) Limited
69 Athol Street
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Isle of Man. IM1 1JE

Custodian of Securities
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Isle of Man Branch
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AVC Provider
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Rose Lane Business Centre
Norwich. NR1 1BB
United Kingdom

* Until 1 June 2009, Aviva Life & Pension UK Limited was known as Norwich Union.

REPORT BY DOUGLAS BOROUGH COUNCIL

INTRODUCTION

The Isle of Man Local Government Superannuation Scheme 2003 (“the Scheme”) is a statutory public service pension scheme (as defined by the Pension Schemes Act 1993, an Act of UK Parliament) under the Isle of Man Local Government Superannuation Scheme Regulations 2003 (“the 2003 Scheme”) which provides retirement and dependants’ benefits for employees of Local Government employers (including resolution bodies) and Admitted Bodies on the Isle of Man.

The Scheme is contracted-out of the State Second Pension Scheme (“S2P”) and is exempt approved for the purposes of the Income Tax (Retirement Benefit Schemes) Act 1978 and Part I of the Income Tax Act 1989 (Acts of Tynwald). Full tax relief is granted on members and the employers’ contributions paid to the Scheme and on all investment income.

MANAGEMENT

The Administering Authority’s Responsibilities

The Douglas Borough Council as Administering Authority 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. In this Authority, that officer is the Responsible Financial Officer (i.e. the Borough Treasurer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Annual Report and Financial Statements of the Isle of Man Local Government Pension Scheme.

The Pension Committee delegates day to day monitoring responsibilities to the officers of the Douglas Borough Council. This Committee, which comprises Members of the Council and one independent observer, meets regularly to consider administrative and investment matters as informed by its officers. All minutes and resolutions of the Pensions Committee are subject to approval at the Borough’s full Council meetings.

The Responsible Financial Officer’s Responsibilities

Under the Accounts and Audit Regulations 2007 made under the Audit Act 2006, the Responsible Financial Officer is responsible for the preparation of the financial statements of the Isle of Man Local Government Superannuation Scheme in accordance with proper practices as set out in the Isle of Man Statement of Recommended Practice 2007 on accounting for entities subject to the Audit Act 2006 (“the SORP”).

In preparing these financial statements, the Responsible Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the SORP.

REPORT BY DOUGLAS BOROUGH COUNCIL– continued

MANAGEMENT (continued)

The Responsible Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

General

Responsibility for managing the Scheme's investments has been delegated to BlackRock (Isle of Man) Limited.

The Administering Authority has a contractual arrangement with Capita Hartshead, a trading division of Capita Hartshead Limited, to undertake the day to day administration of the Scheme.

The Administering Authority has appointed Norwich Union (now Aviva Life & Pension UK Limited) to provide an AVC arrangement for members. AVC's are no longer reflected within these financial statements.

ADMINISTRATION

The Regulations Affecting the Scheme

The Isle of Man Local Government Superannuation Scheme Regulations 2003 apply to individuals who were contributing members of the Scheme on 1 April 2003 or who have since joined the Scheme. The Scheme is based on the regulations that applied to England and Wales with effect from 1 April 1998, and some provisions are effective from that date.

The Scheme Rules and Benefits are set out later, and the full details are shown in the guide available to all members on the Douglas Borough Council website (www.douglas.gov.im).

Pensions Increase

Pensions in payment and preserved benefits are subject to annual review under the Pensions (Increase) Act 1974 (an Act of Tynwald). The Pensions Increase (Review) Order 2008 required an increase of 3.9% (2007: 3.6%) (reduced proportionately for pensions in payment for less than 12 months) to be awarded from 6 April 2008 (2007: 9 April 2007). This corresponds to the increase applied to state retirement pensions and pensions paid by other public service pension schemes on the Isle of Man, being the rise in the UK's Retail Prices Index during the 12 months ended 30 September 2008 (2007: 30 September 2007).

REPORT BY DOUGLAS BOROUGH COUNCIL– continued

ADMINISTRATION (continued)

Code of Best Practice

The Scheme's investment practices are considered against the following 10 Best Practice principles:-

- Effective decision making
- Setting clear objectives for the Fund
- Focusing on strategic asset allocation investment decisions
- Receiving expert advice
- Having explicit mandates for investment management contracts
- Taking an active approach relative to corporate governance
- Establishing appropriate benchmarks for investment returns
- Measuring investment performance and that of other service providers
- Ensuring transparency
- Reporting to Scheme members

Separate documents entitled “Statement of Investment Principles” and “Adherence to Best Practice” are in force. They are available to members on the Douglas Borough Council Website (www.douglas.gov.im). The Pensions Committee, working together with the Investment Consultant, monitors and reviews these procedures, and updates the documents as required.

REPORT BY DOUGLAS BOROUGH COUNCIL– continued

MEMBERSHIP AND BENEFICIARIES

	2009	2008
	No.	No.
Active Membership		
As at the beginning of the year (1 April)	423	411
Late adjustments (new starters)	4	6
<i>Add:</i>		
Entrants - new starters	57	39
	<u>484</u>	<u>456</u>
Exits - options pending	-	(2)
- new retirement pensions	(14)	(7)
- deaths in service	(1)	(1)
- preserved benefits	(18)	(15)
- refunds of contributions/transfers	(14)	(8)
	<u>(47)</u>	<u>(33)</u>
As at the end of the year (31 March)	<u>437</u>	<u>423</u>

REPORT BY DOUGLAS BOROUGH COUNCIL – continued

MEMBERSHIP AND BENEFICIARIES - continued

Membership as at 31 March 2009

	Active	Deferred	Pensioners	2009 Total	2008 Total
Local Authorities					
Douglas Borough Council	243	94	115	452	426
Castletown Town Commissioners	13	4	8	25	26
Laxey Village Commissioners	2	0	0	2	0
Michael Village Commissioners	1	0	0	1	1
Onchan District Commissioners	43	18	27	88	86
Peel Town Commissioners	17	7	8	32	28
Port Erin Village Commissioners	15	8	4	27	26
Port St Mary Village Commissioners	9	10	5	24	22
Ramsey Town Commissioners	42	15	16	73	68
Resolution Bodies					
(a) Parish Districts					
Braddan Parish Commissioners	5	2	0	7	6
Bride Parish Commissioners	1	0	0	1	1
Malew Parish Commissioners	4	4	1	9	10
Marown Parish Commissioners	1	0	0	1	0
(b) Joint Boards					
Marashen Crescent Housing Committee	4	1	1	6	6
Northern Local Authorities Swimming Pool Board	7	1	1	9	8
Peel & Western District Housing Committee	0	0	1	1	1
Ramsey & Northern District Housing Committee	7	0	3	10	10
Southern Civic Amenity Site Board	3	2	1	6	5
Southern Local Authorities Swimming Pool Board	9	4	5	18	18
Admitted Bodies					
Crossroads Caring for Carers	0	3	1	4	4
Leonard Cheshire Foundation	1	1	2	4	4
Manx Blind Welfare	0	1	0	1	1
Manx Foundation for Physically Disabled	1	1	0	2	2
Manx Churches Adoption & Welfare Society	6	2	4	12	9
Vicar and Wardens of Kirk Braddan	2	1	0	3	4
The Vicar and Wardens of St Peters Church Onchan	1	0	0	1	1
Department of Tourism & Leisure – Villa Marina	0	1	1	2	2
	437	180	204	821	775

REPORT BY DOUGLAS BOROUGH COUNCIL– continued

MEMBERSHIP AND BENEFICIARIES - continued

Membership as at 31 March 2009 (continued)

Bodies with no Members

The following bodies had no members during the year:

Resolution Bodies:

(a) Parish Districts

Andreas Commissioners
Arbory Commissioners
Ballaugh Commissioners
German Commissioners
Jurby Village Commissioners
Lezayre Commissioners
Lonan Commissioners
Maughold Commissioners
Patrick Commissioners
Rushen Commissioners
Santon Commissioners

(b) Joint Boards and Committees

Western Civic Amenity Site Committee
Castletown & Malew Elderly Persons Housing Board
Coil Roi Housing Authority
Northern Parishes Refuse Collection Board
Western Swimming Pool Board

ACTUARIAL VALUATION

The 2003 Scheme requires an actuarial valuation of the Scheme to be carried out every three years. The purpose of a valuation is to review the funding position and determine an appropriate level of employers' contributions.

In accordance with the 2003 Scheme, a valuation of the Scheme was made as at 31 March 2007 which showed that it continued to be in deficit. The next valuation is due to be carried out as at 31 March 2010.

The Actuarial Statement from the 2007 valuation is reproduced on page 15 of the Annual Report.

REPORT BY DOUGLAS BOROUGH COUNCIL – continued

REGISTRATION UNDER THE DATA PROTECTION ACT 2002 (An Act of Tynwald)

The data provided by members on their starter's forms is processed using information communications systems, with records held in both electronic and paper format. The use of the data is registered under the Data Protection Act 2002 for the purposes of pensions administration by the Borough and of personnel/employee administration by the employers.

CERTIFICATE BY THE RESPONSIBLE FINANCIAL OFFICER

Under the Accounts and Audit Regulations 2007 these accounts are to be prepared by the 31 July and must be approved by the Responsible Financial Officer prior to approval by Douglas Borough Council (as delegated to the Policy and Resources Committee).

I certify that the financial statements present fairly the Fund Account and Net Assets Statement position of the Isle of Man Local Government Superannuation Scheme 2003 for the year ended 31 March 2009.

G M BOLT, CPFA

Borough Treasurer as Responsible Financial Officer
Douglas Borough Council as Administering Authority

26 June 2009

The Annual Report and Accounts were approved by the Policy and Resources Committee on 26 June 2009 and passed to Moore Stephens for audit.

INVESTMENTS

INVESTMENT LIMITS

The Isle of Man Local Government Superannuation Scheme Regulations 2003 require the Administering Authority to immediately invest any monies not needed to make payments from the Scheme. In doing so, it prescribes the limits on the type and extent of investments which the Administering Authority may pursue.

Although they may vary, the types of investment adopted the Scheme's investment policy must be formulated with a view to:

- the advisability of investing Scheme money in a wide variety of investments; and
- the suitability of particular types of investments.

However, of the total value of the Scheme's investments, no more than the percentages shown below can be invested in the form of investment described:

- **1%** - a single sub-underwriting contract, i.e. a contract with a person who is underwriting a share issue to acquire the shares from him if that is what he requires, but with the total value of all sub-underwriting contracts not exceeding 15%;
- **2%** - as a limited partner in any single partnership (but not exceeding more than a total of 5% in such partnerships);
- **10%** - loans made to other than the Government of the Isle of Man, or Her Majesty's Government;
 - total investments in unlisted securities, i.e. securities not quoted on a recognised stock exchange;
 - total deposits with any single bank, or similar institution except the National Savings Bank; and
 - any single holding unless the investment is made by an external investment manager in a unit trust scheme;
- **35%** - all investments in unit trust schemes managed by any one body;
 - all investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by any one body;
 - all investments in unit trust schemes and open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body;
 - the total value of all insurance contracts; and
 - all securities (shares, stocks, debentures, etc) which the Administering Authority transfers or agrees to transfer under stock lending arrangements.

INVESTMENTS - continued

INVESTMENT STRATEGY AND MANAGEMENT

The investment strategy developed by the Administering Authority aims to maximise the return of the Scheme consistent with the risk that is appropriate. It seeks to reduce risk by diversifying its investments over a mix of asset classes spread over UK and overseas markets. The benchmark is heavily weighted towards equities (the asset class expected to provide the highest return over the medium to long term). Within equities, diversification is achieved by investing in global markets with exposure to many different sectors and stocks. There is also significant exposure to bonds (which are lower risk relative to the Scheme's liabilities) and to property (a "real" asset with a different performance cycle to equities).

The Administering Authority employs BlackRock (Isle of Man) Limited as its sole Investment Manager.

INVESTMENT PERFORMANCE BENCHMARK

The benchmark is used as a reference point to compare the performance of the portfolio. It allows the overall performance of the Fund Manager to be compared with the overall performance of the various indices. Any divergence between the benchmark and the Fund's return is due to the preferences of the Fund Manager for particular markets or for individual stocks.

During the year the benchmark was revised to marginally increase exposure to overseas equities at the expense of UK equities. Towards the end of the period the restrictions on corporate bond investments were relaxed.

INVESTMENTS - continued

INVESTMENT MANAGER'S REPORT

Summary

The portfolio decreased in value by £3,266,629 over the year (with net inflows of £2,047,940). This equates to a fall of 17.2% over the period which marginally underperformed the benchmark return of -17.1%.

UK Equities

UK equities fell in value significantly over the twelve months, with the FTSE All Share ending the period down 29.3% in total return terms. The ongoing financial crisis and resulting recession hurt a wide range of sectors but bank shares bore the brunt of the declines as investors focused on government intervention, capital adequacy and increased equity issuance. Defensive sectors such as healthcare, food retail and tobacco were among the relative outperformers, along with oil and gas producers, which continued to demonstrate strong profitability. The Scheme's UK equity sub-portfolio outperformed the index through strong stock selection and active sector rotation. Beginning the period with an overweight position in oil and gas producers, the Manager tilted towards a more defensive positioning from September onwards. Towards the end of period, exposure was raised to more cyclically sensitive companies.

Overseas Equities

Overseas equities outperformed UK equities in sterling terms (-20.9%), although much of this can be attributed to sterling weakness over the year. In local currency terms there was little to choose between overseas markets as the main regional blocs fell between 30-40% during the period. In aggregate, the Scheme's overseas equity holdings underperformed their benchmark component, declining 22.4%. A tactical overweight to North America, as the most defensive regional bloc, proved successful but stock selection was a detractor in aggregate.

Bonds

Global government bond markets performed strongly, particularly during the last quarter of 2008. This was due to increased investor demand for safe haven assets and aggressive monetary stimulus, particularly in the US and UK. Exposure to government bonds has, therefore, been a positive contributor to performance. Corporate bonds, and other credit related investments continued to suffer as poor liquidity and economic news flow dominated markets.

Property

Credit conditions and the poor economic outlook continued to have a significant impact on property markets throughout the period, with broad UK property indices falling between 20% and 30%. The Scheme has remained underweight in property relative to the benchmark throughout the period but the Scheme's holdings underperformed. The weighting to property was actively reduced by the Manager late in the period as prospects are expected to remain challenging for some time yet.

INVESTMENTS - continued

INVESTMENT MANAGER'S REPORT (continued)

Inflation during the year

Inflation has become less of a concern for the Bank of England over the last twelve months. Having risen to around 4.5% per annum in the middle of 2008, cost price inflation expectations have flattened to around 0.4% for 2009, reflecting falling input costs (energy), increased capacity and much weaker economic growth.

Since the collapse of Lehman Brothers investment bank in mid-September, central banks worldwide have focused on stimulating the global economy and avoiding the threat of deflation. There are some concerns that this stimulus will fuel future high inflation.

Investment Performance

Portfolio	-17.2%
Benchmark	-17.1%
Value of Portfolio as at 31 March 2008	£28,808,310
Value of Portfolio as at 31 March 2009	£25,541,681

CUSTODIAL ARRANGEMENTS

The Administering Authority has appointed BNP Paribas as its custodian.

The custodian will arrange for the Fund's UK securities (other than bearer securities for which the custodian shall arrange safekeeping) to be registered in the name of a nominee company, normally Securities Services Nominees Limited, a wholly owned subsidiary of BNP Paribas Securities Services S.A, directly or indirectly as bare Trustee for the customer. Any non-UK securities of the Fund will be held by the custodian, or to the order of the custodian, by subcustodians chosen by it. Securities relating to investments of the Fund in House Funds will normally be registered in the name of BNP Paribas Securities Nominees Limited, a Jersey-based Affiliated Company of the custodian. Any securities registered in the name of a nominee company are pooled with those of other clients of the custodian. The custodian cannot pool such securities with its own property except when settling transactions.

Where the Scheme investments are held collectively in a pool, its entitlements may not be identifiable by separate certificates or other physical documents of title and, should the custodian default, any shortfall in investments belonging to the Scheme and other customers of the custodian may be shared pro-rata among all customers whose investments are so held.

INVESTMENTS - continued

INVESTMENT ACCOUNTING AND BANKING ARRANGEMENTS

The Administering Authority has authorised monies to be held on the Scheme's behalf on the following basis:

- In investment and income accounts with the custodian in the Administering Authority's or the Scheme's name. The Administering Authority has authorised BlackRock (Isle of Man) Limited to give the custodian instructions regarding such accounts on the Scheme's behalf.
- In BlackRock (IOM) Designated Client Bank Accounts (as defined in Part 3 of the Financial Services Rule Book 2008) (the "Rule Book") with those institutions being Recognised Banks (as defined by the Rule Book) which meet the minimum short-term credit rating of A1/P1 and which may include the custodian or any of its associates. Such monies are pooled with those of other clients but such designated client bank accounts do not hold monies beneficially owned by BlackRock.

Monies held awaiting delayed settlement are held by the custodian in a pooled settlement account.

Interest is paid on the investment and income accounts, and balances on the income accounts are dealt with on the basis set out below;

Interest period: Quarterly on all accounts

Interest Rate: A commercial rate appropriate to the balances standing to the credit of the above accounts. The custodian benefits from the provision of banking services for clients.

Accounts are maintained in the currency of account and in such other currencies as may be required from time to time.

INVESTMENTS - continued

REMUNERATION BASIS OF THE INVESTMENT MANAGER

Ordinary Portfolio

BlackRock's remuneration for managing and administering the portfolio is calculated and paid in arrears on its market value (including uninvested cash) as shown in its valuations. The fees are calculated on the basis of all portfolio assets (other than excluded funds). Any charges already paid within in-house funds and connected investment trust (other than excluded funds) are then deducted from this amount.

BlackRock's fees in respect of managing the portfolio are at the following rates between 1 April 2008 to 31 March 2009:

Market Value	Rate per annum
On the first £5,000,000	0.75%
Thereafter	0.51%

They include those of the custodian and are settled by transfers from the portfolio on the due dates and no interest is charged if such transfers are effected after the due date.

Property Fund

Charges are 1% of the underlying net asset value per annum.

Charges Within In-House Funds and Connected Investment Trusts and Commissions

Initial (and in some cases conversion) charges are waived for investments made for the Isle of Man Local Government Pension Scheme. The price of each share or unit of certain In-House Funds and Connected Investment Trusts normally includes, on both subscriptions and redemptions, a 'rounding' of a maximum of one currency unit which is retained by the relevant manager or the relevant In-House Fund and Connected Investment Trusts.

ACTUARIAL STATEMENT

Actuarial Statement for the purpose of Local Government Superannuation Scheme 2003 (Statutory Document No. 61/03).

As required by the regulations, an actuarial valuation of the Fund's assets and liabilities was carried out as at 31 March 2007.

Security of Prospective Rights

In my opinion, the resources of the Scheme are likely in the normal course of events to meet the liabilities of the Scheme, as required by the Regulations. In giving this opinion I have assumed that the following amounts will be paid to the Scheme:

Contributions by the members in accordance with the Local Government Superannuation Scheme 2003 (Statutory Document No. 61/03).

Contributions, for the three years commencing 1 April 2008, paid by the employers are as specified in our certificate dated March 2008 contained in our report on the valuation of the Fund as at 31 March 2007.

Summary of Methods and Assumptions Used

The valuation method and assumptions are described fully in our valuation report dated March 2008.

My opinion on the security of the prospective rights is based on the projected unit valuation method as there is an exception that new employees are likely to join the Fund. This assesses the cost of benefits accruing to existing members during the year following the valuation, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities (allowing for future salary increases) and the assessed value of assets.

The main actuarial assumptions are:-

Financial Assumptions	March 2007 % p.a	Real % p.a
Investment Return/Discount Rate	6.1%	2.9%
Pay Increases	4.7%	1.5%
Price Inflation/Pension Increases	3.2%	-

Assets of £28.4m were valued at their market value. The valuation showed that the assets of the Fund as at 31 March 2007 fell short of the value of accrued liabilities by £7m, leaving 80% of accrued liabilities funded. Employers contributions have been approved to attempt to address the deficit over 14 years.

The next actuarial valuation is due with an effective date of 31 March 2010.

Peter Summers FFA

For and on behalf of Hymans Robertson LLP

12 June 2009

Independent Auditors' Report to Douglas Borough Council as the Administering Authority of the Isle of Man Local Government Pension Scheme

We have audited the financial statements for the year ended 31 March 2009 which are set out pages 19 to 27. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the administering authority, as a body, in accordance with Section 6 of the Audit Act 2006. Our audit work has been undertaken so that we might state to the administering authority 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 administering authority as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the administering authority and the auditors

As described in the Statement of Administering Authority Responsibilities, the administering authority are responsible for preparing financial statements which comply with applicable Isle of Man law and for making available certain information about the Scheme in the form of an Annual Report. Our responsibilities, as independent auditors, are established in the Isle of Man by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements show a true and fair view in accordance with the Audit Act 2006 and contain the information specified in the Superannuation Act 1984. We report to you if we have not received all the information and explanations that we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Report by Douglas Borough Council, the Investment Report, the Actuarial Statement, Foreword to the Financial Statements and Scheme Rules and Benefits. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an 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 judgements made by or on behalf of the administering authority in the preparation of the financial statements and of whether the accounting policies are appropriate to the Scheme'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:

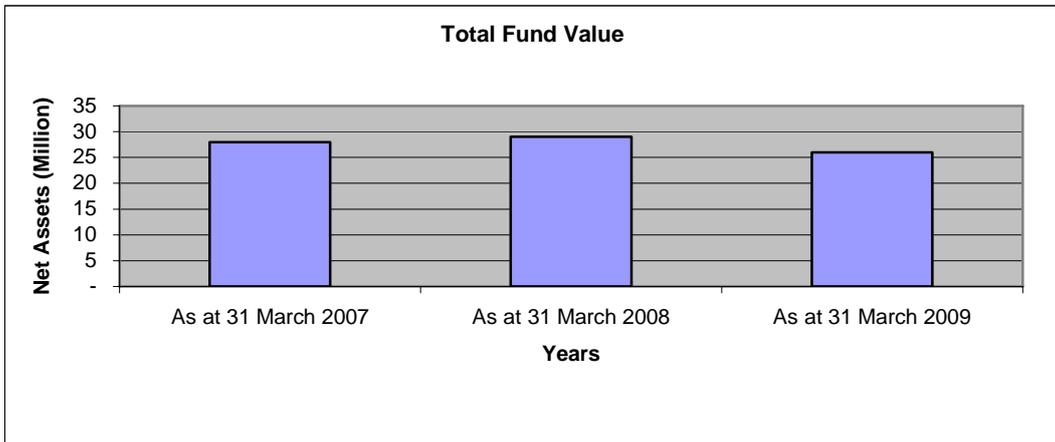
- the financial statements show a true and fair view of the financial transactions of the Scheme for the year ended 31 March 2009, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- the financial statements contain the information specified in the Superannuation Act 1984; and
- the contributions payable to the Scheme during the year ended 31 March 2009 have been paid in accordance with the Scheme rules and the recommendations of the actuary.

MOORE STEPHENS
Chartered Accountants
Douglas, Isle of Man

30 October 2009

FOREWORD TO THE FINANCIAL STATEMENTS

As at the 31 March 2009 the accumulated Fund stood as £25,946,567 (2008: £29,244,767). Although the Fund has decreased in value, the Fund has performed in line with the benchmark and an explanation can be found in the Investment Managers report on page 11.

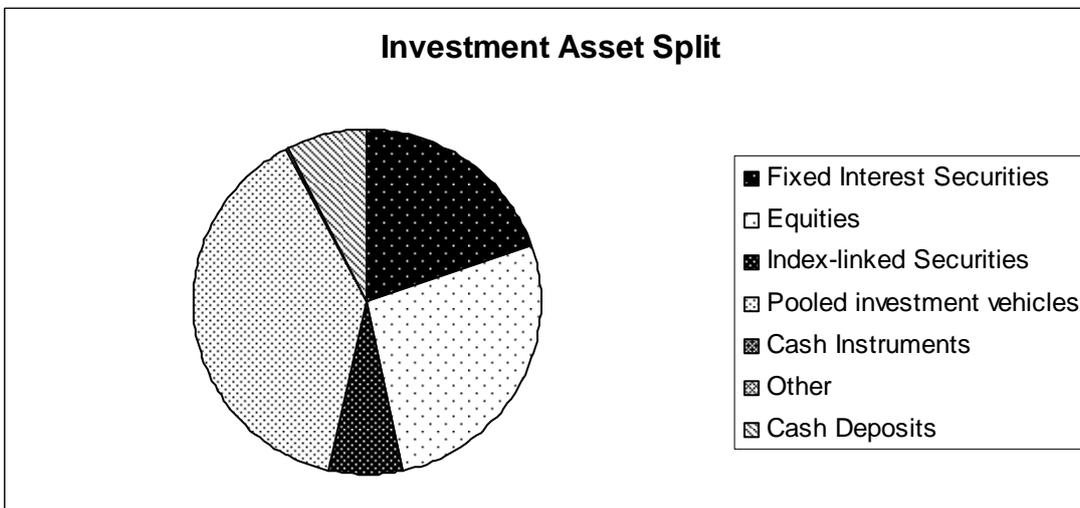


The Fund Value comparison for the last three years can be seen in the graph.

The net income from all transfer values received has decreased by £118,492 (2007/2008 increased by £407,694). Contributions have increased by £236,436 (2007/2008 increased by £140,181). This has resulted in an overall increase in income in respect of Scheme members of £117,944 (2007/2008 increased by £547,875). Retirement benefits and other benefits made to or in respect of Scheme members during the year have increased by £159,016 (2007/2008 increased by £56,797).

In overall terms the net additions from dealings with Scheme members during the year amount to £1,986,568 (2007/2008: £1,904,896).

The scheme invests in a variety of different areas, as demonstrated by the chart below. A substantial proportion of the Fund's investments are made in equities, but pooled investment vehicles make up the largest investment area. These include the property market and other UK and overseas investment areas.



Financial Statements for the year ended 31 March 2009

		2008/2009	2007/2008
	Notes	£	£
FUND ACCOUNT			
Contributions and Benefits			
Contributions receivable	3	2,994,123	2,757,687
Transfers in	4	428,827	547,319
		<u>3,422,950</u>	<u>3,305,006</u>
Benefits payable	5	(1,200,626)	(1,041,610)
Payments to and on account of leavers	6	(23,614)	(129,187)
Administrative expenses	7	(212,142)	(229,313)
		<u>(1,436,382)</u>	<u>(1,400,110)</u>
Net additions from dealings with members		<u>1,986,568</u>	<u>1,904,896</u>
Returns on investments			
Investment income	8	553,649	889,706
Change in market value of investments	9	(5,746,904)	(1,844,102)
Investment management expenditure		(91,513)	(142,751)
Net return on investments		<u>(5,284,768)</u>	<u>(1,097,147)</u>
Net (decrease) / increase in the Scheme during the year		<u>(3,298,200)</u>	<u>807,749</u>
Net assets of the Scheme			
At year beginning		<u>29,244,767</u>	<u>28,437,018</u>
At year end		<u><u>25,946,567</u></u>	<u><u>29,244,767</u></u>

The notes on pages 21 to 27 form part of these Financial Statements.

Financial Statements for the year ended 31 March 2009 - continued

	Notes	As at 31 March 2009 £	As at 31 March 2008 £
NET ASSETS STATEMENT			
Investments	9	25,541,681	28,808,310
Current Assets	11	515,512	560,697
Current Liabilities	12	(110,626)	(124,240)
		<u> </u>	<u> </u>
Net Assets of the Scheme at year end		25,946,567	29,244,767
		<u> </u>	<u> </u>

The financial statements summarise the transactions and net assets of the Scheme. Liabilities to pay pensions and other benefits which are expected to become payable after the year end of the Scheme year are not dealt with in the financial statements. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Actuarial Statement on page 15 and these financial statements should be read in conjunction with that Statement.

The notes on pages 21 to 27 form part of these Financial Statements.

D W CHRISTIAN J P
Chairman
Policy and Resources Committee
Douglas Borough Council

29 October 2009

G M BOLT, CPFA
Borough Treasurer
Douglas Borough Council

29 October 2009

Notes to the Financial Statements

1. Basis of Preparation

The financial statements have been prepared in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised May 2007), ("the pensions SORP") as far as is practicable. These accounts have also been prepared in accordance with the Audit Act 2006.

2. Accounting Policies

The following principal accounting policies which have been applied consistently have been adopted in the preparation of the financial statements:

Contributions

Contributions represent the total amount receivable from Local Government employers and Admitted Bodies on the Isle of Man in respect of their own contributions and from active members. The employers' contributions are made at a rate determined by the Consulting Actuary necessary to ensure that the Scheme is able to meet its existing and prospective liabilities including indexation.

Benefits payable

Members can choose whether to take their benefits as a pension or a pension and lump sum. Pensions and lump sums are accounted for on an accruals basis from the date the option is exercised.

Transfers to and from other schemes

Transfers values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the scheme. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

Notes to the Financial Statements - continued

2. Accounting Policies (continued)

Other expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

Investment income

Income from equities is accounted for on the date stocks are quoted ex-dividend. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Income from fixed interest and index-linked securities, cash and short term deposits is accounted for on an accruals basis.

Investments

Investments are held at market value. Equities traded through the Stock Exchange Electronic Trading Service ("SETS") are valued on the basis of the latest bid price. Other quoted investments are valued on the basis of the bid value quoted on the relevant stock market. Pooled investment vehicles are valued at the bid prices provided by the relevant fund managers, which reflect the market value of the underlying investments. Unquoted securities are valued by the fund managers at the year end in accordance with generally accepted guidelines. Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

3. Contributions Receivable

	2008/2009	2007/2008
	£	£
Employers		
normal	2,343,067	2,164,612
other	32,813	25,768
Members		
normal	593,238	551,771
Scheme additional	15,939	15,536
other	9,066	-
	2,994,123	2,757,687

Notes to the Financial Statements - continued

3. Contributions Receivable (continued)

Contributions breakdown

	2008/2009			2007/2008	
	Employees Normal £	Employers Normal £	Employees Scheme Additional £	Total £	Total £
Braddan Parish Commissioners	12,925	49,546	-	62,471	56,413
Bride Parish Commissioners	233	937	-	1,170	982
Castletown Town Commissioners	16,881	67,480	-	84,361	84,636
Douglas Borough Council	339,416	1,340,885	12,783	1,693,084	1,551,924
Laxey Village Commissioners	480	1,839	-	2,319	-
Leonard Cheshire Foundation	641	2,815	-	3,456	3,639
Malew Parish Commissioners	6,336	24,974	-	31,310	31,276
Manx Churches Adoption & Welfare Society	14,190	54,397	-	68,587	56,733
Manx Foundation for Physically Disabled	2,186	8,378	-	10,564	9,545
Marashen Crescent Housing Committee	4,389	17,546	-	21,935	20,837
Marown Parish Commissioners	125	479	-	604	-
Michael Village Commissioners	135	517	-	652	611
Northern Local Authorities Swimming Pool Board	6,037	23,413	-	29,450	24,433
Onchan District Commissioners	59,504	233,936	-	293,440	307,225
Peel Town Commissioners	23,138	93,315	-	116,453	106,363
Port Erin Village Commissioners	19,636	77,447	-	97,083	86,189
Port St Mary Village Commissioners	12,096	46,365	-	58,461	49,214
Ramsey & Northern District Housing Committee	5,434	24,048	-	29,482	28,369
Ramsey Town Commissioners	54,203	213,907	3,156	271,266	244,045
Southern Local Authorities Swimming Pool Board	8,423	33,853	-	42,276	37,127
Southern Civic Amenity Site Board	3,746	14,361	-	18,107	17,898
Vicar and Wardens of Kirk Braddan	2,069	8,739	-	10,808	9,938
Vicar and Wardens of St Peters Church Onchan	1,015	3,890	-	4,905	4,522
	593,238	2,343,067	15,939	2,952,244	2,731,919
Backdated contributions –					
Braddan Parish Commissioners	3,587	12,689	-	16,276	25,768
Ramsey Town Commissioners	2,194	7,720	-	9,914	-
Laxey Village Commissioners	3,285	12,404	-	15,689	-
	602,304	2,375,880	15,939	2,994,123	2,757,687

Notes to the Financial Statements - continued

4. Transfers In

	2008/2009 £	2007/2008 £
Individual transfers in from other Pension Schemes and Private Sector Institutions	428,827	547,319

5. Benefits Payable

	2008/2009 £	2007/2008 £
Retirement and dependants' pensions	923,256	835,700
Lump sum retirement grants	165,267	163,514
Lump sum death grants	112,103	42,396
	1,200,626	1,041,610

The value of pensions is arrived at after netting off employers recharge of £35,298 (2007/2008: £33,968).

6. Payments To and On Account of Leavers

	2008/2009 £	2007/2008 £
Refunds of contributions	19,836	7,744
Payments to State Second Pension	3,778	1,057
Individual transfers to other schemes	-	120,386
	23,614	129,187

7. Administrative Expenses

	2008/2009 £	2007/2008 £
Administering Authority	55,400	52,235
Fund Administrator	64,950	58,636
Actuarial	7,100	31,950
Investment Advice	80,330	84,453
Legal & Professional	2,475	-
Audit Fees	1,848	1,663
Other Fees	39	376
	212,142	229,313

Notes to the Financial Statements - continued

8. Investment Income

	2008/2009 £	2007/2008 £
Income from fixed interest securities	159,171	155,919
Dividends from equities	280,214	467,492
Income from pooled investment vehicles	53,749	178,762
Interest on cash deposits	31,531	65,365
Income from index-linked securities	28,984	22,168
	<u>553,649</u>	<u>889,706</u>

9. Investments

	Value at 1.04.08 £	Purchases at Cost £	Sales Proceeds £	Change in Market Value £	Value at 31.3.09 £
Fixed interest securities	4,993,723	6,144,755	(6,283,146)	199,935	5,055,267
Equities	9,436,709	4,137,111	(4,381,635)	(2,591,633)	6,600,552
Index-linked securities	1,944,717	2,173,507	(2,288,667)	(39,921)	1,789,636
Pooled investment vehicles	10,885,883	13,750,968	(11,187,959)	(3,315,285)	10,133,607
	<u>27,261,032</u>	<u>26,206,341</u>	<u>(24,141,407)</u>	<u>(5,746,904)</u>	<u>23,579,062</u>
Other	99,078				48,871
Cash Deposits	1,448,200				1,913,748
	<u>28,808,310</u>				<u>25,541,681</u>

Notes to the Financial Statements - continued

9. Investments (continued)

Investments with Fund Manager	As at 31 March 2009 £	As at 31 March 2008 £
Fixed interest securities		
UK public sector quoted	4,640,641	4,130,674
Overseas public sector quoted	414,626	863,049
	<u>5,055,267</u>	<u>4,993,723</u>
Equities		
UK quoted	6,600,552	9,436,709
	<u>6,600,552</u>	<u>9,436,709</u>
Index-linked securities		
UK quoted	<u>1,789,636</u>	<u>1,944,717</u>
Pooled investment vehicles		
Unit trusts - property	993,013	2,300,857
- UK other	1,698,997	357,074
- overseas other	7,441,597	8,227,952
	<u>10,133,607</u>	<u>10,885,883</u>
Cash deposits		
Sterling	<u>1,913,748</u>	<u>1,448,200</u>
Other		
Accrued investment income	68,414	135,192
Forward foreign exchange contracts	(19,543)	(36,114)
	<u>48,871</u>	<u>99,078</u>
Total	<u>25,541,681</u>	<u>28,808,310</u>

The following assets represented more than 5% of the net assets value of the Fund as at 31 March 2008, but at 31 March 2009 has dropped below 4% of the net assets of the Fund.

	2009	%	2008	%
BlackRock Property Fund	-	-	2,300,857	8.0

Notes to the Financial Statements - continued

10. AVC Investments

The Administering Authority hold assets invested separately from the Fund with the AVC Provider Aviva in the form of individual building society funds securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 31 March confirming the amounts held to their account and the movements in the year. These amounts have not been included within the financial statements, in accordance with regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No. 1831).

	As at 31 March 2009	As at 31 March 2008
	£	£
Aviva Life & Pension UK Limited	3,235	2,666

11. Current Assets

	2009	2008
	£	£
Debtors		
Contributions due from employers	212,166	178,476
from employees	74,223	66,969
Backdated Contributions	41,879	42,046
Other	1,504	3,134
Cash	185,740	270,072
	515,512	560,697

Amounts due from employers' and employees' contributions are outstanding in the normal course of collection at the year end.

12. Current Liabilities

	2009	2008
	£	£
Creditors and accruals	110,626	124,240

13. Related Party Transactions

Douglas Borough Council administrative expenses for the Isle of Man Local Government Pension Scheme, paid during the year amounted to £55,400 (2007/2008: £52,235). These costs are made up of direct and indirect overheads.

SCHEME RULES AND BENEFITS

SCHEME MEMBERSHIP AND INCOME

- (a) All employees of Douglas Borough Council and other local authority and admitted body employers on the Isle of Man (other than a local authority or joint board defined as a resolution body) under the age of 65 are eligible for membership of the Isle of Man Local Government Superannuation Scheme 2003. Whole-time and part-time employees, whether permanent or temporary, become members automatically with the right to opt out (back-dated to the start of their membership if made within three months). Employees of resolution bodies are eligible for membership if their authority passes a resolution to that effect. Those employed by Admitted Bodies are eligible if the admission agreement specifies them as such.

Members' contributions from pensionable pay are 6%, except for employees who were carrying out manual duties immediately before 1 April 1998. For as long as they remain on manual duties their contributions are 5% of pensionable pay.

- (b) Transfer payments for pension rights in almost any other scheme can be accepted by the Scheme to increase benefits which may eventually become payable.
- (c) The participating employers must make the balancing contribution required to keep the Scheme solvent, having regard to existing and prospective liabilities. This is usually determined as a percentage of the members' normal contributions by the Consulting Actuary following each triennial actuarial valuation of the Scheme.
- (d) Employers are now required to fund early retirements (other than ill-health) and discretionary added years by making up front payments.
- (e) Monies not immediately required for the payment of benefits and other outgoings have to be invested in accordance with the provisions of Part L of the Scheme.

BENEFITS AVAILABLE

Two or more years' membership (or a transfer value credited):

- A. Retirement pension and lump sum awarded:
1. Payable immediately on cessation of employment:
 - (i) through permanent incapacity at any age, or
 - (ii) as a result of redundancy after age 50.
 2. Deferred and payable from retirement age in any other circumstances.

SCHEME RULES AND BENEFITS - continued

BENEFITS AVAILABLE (continued)

- B. Spouses' and children's pensions and a lump sum death grant following death:
- (i) in employment,
 - (ii) in receipt of retirement pension (a lump sum may **not** always be payable),
or
 - (iii) before deferred benefits become payable.

Under two years' membership (and no transfer value has been credited):

- A. Retirement pension and lump sum on retirement at age 65.
- B. Lump sum payable on retirement through permanent incapacity.
- C. Spouses' short term pension and a tax free lump sum death grant on death in employment.
- D. Children's pensions.
- E. Refund of contributions or Transfer out to a tax-approved pension scheme when no other benefit payable.

PENSIONS INCREASE AWARDS

Retirement and dependants' pensions in payment and preserved are increased each year by the same Retail Prices Index percentage rate as that applied to UK State pensions.

TRANSFERS TO OTHER SCHEMES

When benefits are not payable immediately, a transfer can usually be made to another employer's occupational pension scheme or to a personal pension plan or to purchase an insurance annuity bond.

Any enquiries regarding this Report should be addressed to:

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Borough Treasurer's Department
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