

Manx Credit Union Limited
Annual Report and Financial statements
30th September 2023



Manx Credit Union Limited

Contents

	Page
Administrative Information	1
Board of Management Report	2/3
Independent Auditors' Report	4/7
Revenue Account	8
Balance Sheet	9
Statement of Changes in Equity	10
Cash Flow Statement	11
Notes to the Accounts	12/23
Credit Committee Report	24

Manx Credit Union Limited

Administrative information

Directors

Gillian Bowles (Chairperson 22.1.24)

Neil Booth (Director 21.11.23 & Vice Chair 22.1.24)

Christopher Murphy (Resigned as Chairperson & Director 22.1.24)

David Talbot (Resigned 31.5.23)

Ian Yates (Secretary)

Wendy Shimmin

David Allwood (Treasurer)

Andrew Dunlop

Joyce Hatton

Secretary

Ian Yates

Registration Number

No. 000001U - The Credit Unions Act 1993

Registered Office

Ragnall House

18 Peel Road

Douglas

IM1 4LZ

Contact Details

Tel: (01624) 619459

Email: info@mcu.im

Website: www.mcu.im

Auditors

Azets Audit Services

Carlton House

Grammar School Street

Bradford

BD1 4NS

Bankers

Lloyds Bank International

Villiers House

2 Victoria Street

Douglas, IM1 2LN

Manx Credit Union Limited - Board of Management Report - *for the year ended 30 September 2023*

Introduction

The Board of the Manx Credit Union (MCU) is delighted to present this report to members at the seventh Annual General Meeting (AGM).

Governance

The Manx Credit Union is governed by Credit Unions Act 1993: it became licensed on 1 April 2019 and continues to be regulated by the Isle of Man Financial Services Authority.

The Rules of the Manx Credit Union incorporate the legislative requirements, and a set of policies and procedures have been developed to administer the day-to-day operations of the credit union. Copies of these documents are retained in the registered office and are available to members for inspection.

The MCU is managed by a Board of Directors, currently comprising seven members: we are always keen to recruit new members to the Board so please contact the Chairman or Secretary if this is of interest to you. All the Board members take a great interest in the successful operation of the MCU and take their duties seriously. The Board is required to meet at least four times a year and it met **five** times in the reporting period.

The Board established a Credit Committee to review and process all loan applications. Minutes are taken at all the Credit Committee meetings to document the decisions made, and reports are provided to the Board. *(See the separate Credit Committee report to the AGM for further information.)*

Volunteers

The MCU has no paid staff and is run entirely by volunteers, including the Directors: quite simply, it would not operate without their valued input. As at previous AGMs, the Board would like to give special thanks to all the volunteers who have given their time freely and enthusiastically to the MCU.

During the year a great deal of time and effort has been put in by Directors and volunteers alike to ensure that MCU maintained the ability to handle the continuing growth in membership and loan applications.

We are always keen to seek new volunteers so please contact the Secretary if you are interested in volunteering or would like more information. New volunteers would join a dedicated team working in a friendly and enjoyable environment.

Members

As of 30 September 2023, the MCU had 1,431 members and the Board would like to thank each and every one of them for joining the credit union. At the end of the previous reporting year, we had 1,175 members so another 256 new members joining in the past year is a significant increase. As with the Board members and volunteers, we are sure that all the members appreciate the benefit of having a credit union on the Island.

The new office at Ragnall House has worked extremely well and has elicited praise from members.

Interest rates: cash at bank and loans

During the reporting period 1 October 2022 to 30 September 2023, the Bank of England base rate increased regularly over the period from 2.25% to 5.25%. The base rate was only 0.25% when the MCU was established in August 2016.

The increased base rate has the following benefits for MCU members:

- the increasing rates of interest on our cash at bank has provided significantly more income from interest: in the previous year's accounts we received £3,361 in interest from cash at bank but this year we received £21,340. This extra income has helped to provide a proposed increase to the dividend rate.
- the maximum rate of interest that we can charge on loans is 3% per month as prescribed in section 11(4) of the Credit Unions Act 1993, so as the base rate has increased our loans become even more attractive to those members wishing to borrow.

The Manx Credit Union's Loan Policy states that any loan with repayments exceeding a 2 year period must be secured by shares.

Dividend

We are pleased to report continuing growth in the return on our loan book and consequent increase in the reserves of the MCU. Bearing in mind that it is the responsibility of the Board to ensure we have adequate reserves to meet the regulatory requirements imposed by our licence, we also have a duty to our members to provide a return on their savings, where possible. Taking these points together, your Board will be proposing at the AGM a dividend of 2.5% (the 2021-22 dividend was 2.0%) based on the average members savings during the financial year to 30 September 2023.

Complaints and disputes

No complaints were made to, or disputes raised with, MCU in the period to 30 September 2023.

Special thanks

In addition to the members and volunteers the Board wishes to thank the following for their help and support:

- Lloyds Bank for providing banking facilities.
- UKCU, the trade body to which we are affiliated, for always being available to provide help and guidance about all things relating to credit unions;
- Azets (formerly known as Naylor Wintersgill) for providing an audit service for the audited accounts;
- Crowe LLC for providing an internal audit service;
- Rowany Solutions Limited for providing a money-laundering reporting service;
- Santander International for providing three years' of funding at £15,000 a year;
- CIDS for providing a free credit reference service;
- the Manx Credit Union Trust who provide the guarantee for our members' savings.

Ian Yates

Date: 23rd February 2024

Company Secretary

Manx Credit Union Limited

Independent Auditor's Report to the Members of Manx Credit Union

Opinion

We have audited the financial statements of Manx Credit Union Limited for the year ended 30 September 2023 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cashflows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as of 30 September 2023 and of its income and expenditure for the year ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Credit Unions Act 1993.

Basis for opinion

We conducted our audit in accordance with International Standards on auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Manx Credit Union Limited

Independent Auditor's Report to the Members of Manx Credit Union (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Credit Unions Act 1993

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Credit Unions Act 1993 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the Credit Union in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation; or
- the revenue account or the other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the Credit Union; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 2, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

Manx Credit Union Limited

Independent Auditor's Report to the Members of Manx Credit Union (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of auditors report.

Extent to which the audit was considered capable of detecting irregularities, including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulators, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud.
- Reviewing minutes of meetings of those charged with governance.
- Assessing the extent of compliance with the laws and regulations, considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection.
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Manx Credit Union Limited

Independent Auditor's Report to the Members of Manx Credit Union (*continued*)

Because of inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of this report

This report is made solely to the Credit Union's members, as a body, in accordance with the Credit Unions Act 1993. Our audit work has been undertaken so that we might state to the Credit Union's members 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 Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alison Whalley (Senior Statutory Auditor)

Date: 23rd February 2024

For and on behalf of Azets Audit Services, Chartered Accountants and Statutory Auditors

Carlton House
Grammar School Street
Bradford
BD1 4NS

Manx Credit Union Limited

Revenue Account for the year ended 30 September 2023

		2023	2022
	Note	£	£
Loan Interest receivable and similar income	4	157,581	103,529
Less Dividend Paid	5	(18,520)	(8,127)
Net interest income		139,061	95,402
Fees and commissions receivable	6	1,608	1,479
Bank Charges		(129)	(1,486)
Net Fees and commissions receivable		1,479	(7)
Other Income	7	23,349	11,096
Administrative expenses	8a	(27,632)	(23,137)
Promotion	8b	(8,204)	(2,976)
Other Operating Expenses	8c	(23,323)	(12,900)
Impairment losses on loans to members		(32,369)	(29,943)
		(68,179)	(57,860)
Surplus/(Deficit) before taxation		72,361	37,535
Taxation	10	-	-
Surplus/(Deficit) for the financial year		72,361	37,535
Other comprehensive income		-	-
Total comprehensive income		72,361	37,535

Manx Credit Union Limited

Balance Sheet as at 30 September 2023

		2023	2022
	Note	£	£
ASSETS			
Cash, cash equivalents and liquid deposits	15	805,050	685,218
Loans to members	11	593,826	453,799
Prepayments and accrued income		36,679	16,996
Total Assets		1,435,555	1,156,013
LIABILITIES			
Subscribed capital - repayable on demand	12	1,197,177	993,956
Deferred shares	16	42,416	34,416
Other payables	13	24,260	28,300
Retained earnings		171,702	99,341
Total Liabilities		1,435,555	1,156,013

The financial statements were approved and authorised for issue by the Board on 23rd of February 2024 and signed on its behalf by:

.....
Ian Yates
Director

.....
David Allwood
Director

Manx Credit Union Limited**Statement of Changes in Equity** *for the year ended 30 September 2023*

	General Reserves £	Restricted Reserves £	Total Reserves £
as at 30 September 2021	59,171	2,635	61,806
Surplus/(deficit) for the period	39,575	(2,040)	37,535
as at 30 September 2022	98,746	595	99,341
Surplus/(deficit) for the period	72,956	(595)	72,361
as at 30 September 2023	171,702	-	171,702

Manx Credit Union Limited

Cash Flow Statement *for the year ended 30 September 2023*

		2023	2022
	Note	£	£
Cash flows from operating activities			
Surplus before taxation		72,361	37,535
Adjustments for non - cash items:			
Impairment losses	11c	30,229	29,049
		102,590	66,584
Movements in:			
Accrued interest		5,869	3,173
Prepayments and accrued income		(19,683)	5,468
Other payables		(4,040)	9,361
		(17,854)	18,002
Cash flows from changes in operating assets and liabilities			
Deferred shares	16	8,000	500
Cash inflow from subscribed capital	12	643,335	426,746
Cash outflow from repaid capital	12	(440,114)	(286,198)
Loans to members	11a	(557,656)	(430,123)
Repayment of loans by members	11a	381,531	311,768
		35,096	22,693
Net cash flows from operating activities		119,832	107,279
Cash flow from investing activities			
Purchase of tangible assets		-	-
Net increase in cash and cash equivalents		119,832	107,279
Cash and cash equivalents at beginning of year		685,218	577,939
Cash and cash equivalents at end of year		805,050	685,218

Manx Credit Union Limited

Notes to the Financial Statements *for the year ended 30 September 2023*

1 Legal and regulatory framework

Manx Credit Union Limited (referred to as MCU in these notes) is a society registered under The Credit Unions Act 1993, whose principal activity is to operate as a credit union, within the meaning of the Act. MCU was licensed by the Isle of Man Financial Services Authority on 1st April 2019 No.000001U. The date of incorporation under previous legislation was 22nd August 2016.

In accordance with the regulatory environment for credit unions on the Isle of Man, savings from members can be made by subscription for ordinary and since 1st of August 2019 deferred shares.

2 Accounting Policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Going Concern

The financial statements have been prepared on the going concern basis. The directors of MCU believe this is appropriate despite a mismatch in the maturity analysis of subscribed capital and loans to members, because subscribed capital is not redeemable at short notice unless loans with the same members have been repaid (note 11b).

Income

Loan interest receivable and similar income: interest on both loans to members and loans to banks (i.e. cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Fees and charges either arise in connection with a specific transaction, or accrue evenly over the year.

Manx Credit Union Limited

Notes to the Financial Statements *for the year ended 30 September 2023*

2 Accounting Policies (Cont.)

Financial assets - loans and advances to members

Loans to members are financial assets with fixed or determinable payments and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member. MCU does not transfer loans to third parties. MCU assesses at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if during the course of the year, there is objective evidence that any individual loan is impaired, a specific test will be recognised. Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

Financial liabilities - subscribed capital

Members ordinary shares in MCU are redeemable and therefore classified as financial liabilities, and described as subscribed capital. They are initially recognised as the amount of cash deposited and subsequently measured at cost. Deferred shares have limited redemption rights and as such are treated as reserves.

Donations

It has been the policy of the Manx Credit Union's Board of Management, not to use members' savings for setup and development costs. All such funds have, and continue to be, raised by way of donations and are treated for accounting purposes as restricted funds and so kept separate from the day to day running costs and income of MCU.

Reserves

Retained earnings are accumulated surpluses to date that have not been declared as dividends returnable to members. However, the Board are mindful that it is from these reserves that future services can be developed. Also, a Regulatory Capital Ratio of 5%, after divided, has to be maintained as part of the licence requirements of the 2008 Financial Services Act that MCU are subject to.

Manx Credit Union Limited

Notes to the Financial Statements *for the year ended 30 September 2023*

3 Use of estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying MCU's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

Impairment losses on loans to members

MCU conducts impairment reviews through its Credit Committee which meets weekly to review new loan applications, submitted by Loans officers, and a list of previously agreed loans to check that members are observing the terms of their loan agreements. Impairment allowances have been made in accordance with regulatory requirements. However, in view of the current pandemic and its potential impact on household finances it was considered prudent to include an additional general impairment allowance.

4 Loan interest receivable and similar income

	2023	2022
	£	£
Loan interest receivable from members	133,590	100,168
Bank interest receivable on cash and liquid deposits	23,991	3,361
	<hr/>	
	157,581	103,529
	<hr/>	

5 Interest Expense

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.

	2023	2022
	£	£
Dividend paid	18,520	8,127
	<hr/>	

Manx Credit Union Limited

Notes to the Financial Statements for the year ended 30 September 2023

6 Fees and commissions receivable

	2023	2022
	£	£
Entrance Fees	1,435	1,310
Engage Card Commission	173	169
	<hr/>	<hr/>
	1,608	1,479
	<hr/>	<hr/>

Number of Members

	2023	2022
Number of members	<u>1462</u>	<u>1175</u>

7 Other Income

	2023	2022
<i>Donations received during the year to cover:</i>	£	£
Bank Charges - Lloyds Bank International Ltd.	117	1,486
Credit check fees - Channel Islands Debt Services	166	156
Nadine Charitable Trust	-	2,014
Sundry Donations	2,019	-
Caroma Software	6,047	7,440
Santander Grant for – Development and Promotion	15,000	-
	<hr/>	<hr/>
	23,349	11,096
	<hr/>	<hr/>

8 Expenses

		2023	2022
	Note	£	£
Administrative expenses	8a.	27,632	23,137
Promotion	8b.	8,204	2,976
Other operating expenses	8c.	23,323	12,900
		<hr/>	<hr/>
		59,079	39,413
		<hr/>	<hr/>

Manx Credit Union Limited

Notes to the Financial Statements -for the year ended 30 September 2023

8a. Administrative expenses

	Note	2023 £	2022 £
Audit		5,280	4,200
Credit Check Fees*		166	156
Legal & Professional		2,498	748
Telephone		1,327	687
Printing, Stationery & Postage		3,298	2,482
Insurance		583	583
Minor Capital Goods		2,720	3,241
Software* Caroma		11,760	11,040
		27,632	23,137

* Contributions have been made by suppliers to cover full or part costs as detailed in Note 2.

8b. Promotion

A variety of methods are used to promote our services which would include such expenses as use of venues for drop - in events, media and printed material.

	Note	2023 £	2022 £
Website		771	636
On-line applications for membership and loan		300	300
Other Promotional activity		6,538	2,040
		7,609	2,976

The carrying value of Restricted Funds, as seen on page 10, is available for promotional purposes.

8c. Other operating expenses

Other operating expenses comprise the cost of occupying an office and regulatory and financial management costs.

	Note	2023 £	2022 £
Cost of occupying an office (excluding depreciation)			
License agreement for fully serviced office		7,767	7,367
Property Service Charge		9,452	-
Security		65	210
		17,284	7,577
Regulatory and financial management costs			
Trade association fees		1,321	1,321
Fidelity Insurance		1,400	1,346
Death Benefit - Members Loans		3,318	2,656
		6,039	5,323
		23,323	12,900

Manx Credit Union Limited

Notes to the Financial Statements *for the year ended 30 September 2023*

9. Employees & directors remuneration and costs

All volunteers, including directors, are members of MCU and do not receive any remuneration for their services. However, it is part of our ethos and in some aspects our regulatory responsibility to provide training to all who assist in the operation of the credit union, the costs of which are included in Administrative Expenses.

10. Taxation

Taxation is chargeable at the standard rate, which currently stands at zero percent.

Manx Credit Union Limited

Notes to the Financial Statements for the year ended 30 September 2023

11. Loans to members - financial assets

11a. Loans advanced to members

	2023	2022
	£	£
Total loan assets at 1 October 2022	453,799	367,666
Loans advanced during the year	557,656	430,123
Repaid during the year	(387,400)	(314,941)
Impairment losses	(30,229)	(29,049)
Total loan assets at 30 September 2023	593,826	453,799
Number of Loans in operation	703	529
The average borrowed by members during the year	787	813

11b. Credit Risk Disclosures

Where there is doubt about the ability of a member to repay their loan the following impairment reserves would ordinarily apply:

- (1) 35% of the *net liability* of borrowers where the amount is more than three months in arrears
- (2) 60% of the *net liability* of borrowers where the amount is more than six months in arrears
- (3) 80% of the *net liability* of borrowers where the amount is more than nine months in arrears
- (4) 100% of the *net liability* of borrowers where the amount is more than twelve months in arrears

Net liability of a member's loan is the amount of the remaining loan balance less the value of their shares which are secured against the member's loan. It is part of the terms and conditions of all loan products that the value of a member's savings are held as security against a loan. Savings can therefore not be withdrawn until the value of a member's savings is more than the loan the savings are secured against. The carrying value of loans to members at the period ended 30 September 2023 is £593,826 with a total of £151,615 of savings secured against member's loans.

The Credit Union does not offer mortgages and as a result all loans are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. The limit on how much may be borrowed by each member is £5000 above balance of their savings.

The carrying amount of the loans to members represents the Credit Union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments.

	2023		2022	
	Amount	Proportion	Amount	Proportion
	£	%	£	%
Not Impaired:				
Not yet past due	507,173	85.09%	402,612	90.47%
Up to 3 months past due	88,857	14.91%	42,415	9.53%
Between 3 and 6 months past due	-	-	-	-
Between 6 and 9 months past due	-	-	-	-
Between 9 and 12 months past due	-	-	-	-
Over one year past due	-	-	-	-
Loans not impaired	596,030	100.00%	445,027	100.00%

Manx Credit Union Limited

Notes to the Financial Statements *for the year ended 30 September 2023*

11b. Credit risk disclosures (cont.)

	2023		2022	
	Amount	Proportion	Amount	Proportion
	£	%	£	%
Individually impaired:				
Not yet past due, but impaired	-	-	-	-
Up to 3 months past due	-	-	-	-
Between 3 and 6 months past due	18,322	18.06%	15,687	19.08%
Between 6 and 9 months past due	7,681	7.57%	11,781	14.24%
Between 9 and 12 months past due	13,427	13.23%	9,308	11.32%
Over one year past due	62,047	61.14%	45,519	55.36%
Specifically impaired loans	101,477	100%	82,225	100%
Total loans	697,507	100%	527,252	100%
Specific impairment allowance	(73,453)		(63,150)	
Additional General Allowance	(30,229)		(10,303)	
	(103,682)		(73,453)	
Total carrying value of loans	593,826		453,799	

Factors that are considered in determining whether loans are impaired are discussed in Note 3 above.

11c. Allowance account for impairment losses

	2023	2022
	£	£
As at 1 October 2022	73,453	44,404
Increase in allowance losses for the year	30,229	29,049
As at 30 September 2023	103,682	73,453

Manx Credit Union Limited

Notes to the Financial Statements for the year ended 30 September 2023

12. Subscribed capital - financial liabilities

	2023	2022
	£	£
As at 1 October 2022	993,957	853,409
Received during the year	643,335	426,745
Withdrawn during the year	(440,114)	(286,198)
As at 30 September 2023	1,197,177	993,956

It is a requirement of S.16 of the Credit Unions Act 1993 that shares held by members of a credit union are secured by an arrangement which has the approval of the Isle of Man Financial Services Authority, so that in event that a credit union has to close, savers will be fully compensated for their net savings i.e. gross savings less any loan issued to a member. As credit unions under the same Act are excluded from the Isle of Man Government's Depositor Compensation Scheme, MCU obtained such cover and approval by two means.

Firstly through an Isle of Man trust, who from their own resources, hold in escrow £250,000 which under an arrangement with MCU the trust would be obliged to make those funds available in the event that MCU was wound up. Secondly the balance between the trust funds and the above subscribed capital is deposited by MCU in a strict term deposit with a licensed Isle of Man bank which is reviewed by the directors on a regular basis to ensure its adequacy.

13 Other payables

	2023	2022
	£	£
Accruals	24,260	28,300
	24,260	28,300

Manx Credit Union Limited

Notes to the Financial Statements *for the year ended 30 September 2023*

14 Additional financial instruments disclosure

14a Financial risk management

MCU manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and expenses payable. The main financial risks arising from MCU's activities are credit risk, liquidity risk, market risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit Risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to MCU, resulting in financial loss to MCU. In order to manage this risk the Board approves MCU's lending policy, and all changes to it. All loan applications are assessed by the Credit Committee with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed by the Credit Committee for any factors that may indicate that the likelihood of repayment has changed.

Liquidity Risk: MCU's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of MCU's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Market Risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. MCU conducts all its transactions in sterling and does not deal in derivatives, commodity markets nor has external borrowing arrangements. Therefore MCU is not exposed to any form of currency risk or other price risk.

Interest Rate Risk: MCU's main interest rate risk arises from differences between interest rate exposures on the receivables and payables that form an integral part of a credit union's operations. MCU considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. MCU does not use interest rate options to hedge its own positions.

14b Interest risk disclosures

The following table shows the average annual interest rate applicable to relevant financial assets.

	2023		2022	
	Amount	Average rate	Amount	Average Rate
	£	%	£	%
Financial assets				
Loans to members - gross	697,508	14.2	527,252	12.60
Impairment losses	(103,682)		(73,453)	
Loans to members - net	593,826		453,799	
Financial liabilities				
Subscribed capital	1,197,178		993,957	

The maximum interest rates applicable to a member's loan is 3% on the reducing loan balance as determined by an Act of Tynwald. Interest is calculated by accruing the appropriate interest rate on a daily basis and compounding monthly. No interest is payable on subscribed capital.

Manx Credit Union Limited

Notes to the Financial Statements *for the year ended 30 September 2023*

14c Liquidity risk disclosures

MCU's financial liabilities, the subscribed capital, are payable on demand. The Board meets periodically to ensure that all known risks are being measured and effectively managed.

14d Fair value of financial instruments

All financial instruments are held at amortised cost.

15 Cash and liquid deposits

	2023	2022
	£	£
Cash and bank deposits	167,207	111,359
One month term	-	-
95 day notice	637,843	573,859
Six month term	-	-
Twelve month term	-	-
Total	805,050	685,218

16 Deferred shares

	2023	2022
	£	£
As at 1 October 2022	34,416	33,916
Received during the year	8,000	500
Withdrawn during the year	-	-
As at 30 September 2023	42,416	34,416

17 Post balance sheet events

There are no material events after the balance sheet date to disclose.

18 Contingent liabilities

There are no contingent liabilities at the date of the report.

Manx Credit Union Limited

Notes to the Financial Statements

for the year ended 30 September 2023

19 Related party transactions

During the year, five members (2022, 6 members) of either the Board, staff and their close family members had loans with MCU granted for £10,682 (2022:£9,635). These loans were approved on the same basis as loans to other members of MCU. None of the directors, staff or their close family members, have any preferential terms on their loans. The carrying value as at year-end was £16,440 (2022:£16,175).

20 Subsequent Event

The Board is considering proposing a dividend of £28,500 2.5% (2022: £18,520:2%) which will be confirmed at the AGM.

Manx Credit Union Limited

Credit Committee Report

for the year ended 30 September 2023

The Credit Committee was established by the Board of the Manx Credit Union to monitor the credit union's loan business. It meets weekly to make decisions on applications for loans and monitor all existing loans. Members of the Committee keep in contact with each other, outside the weekly meetings, so that a consistent and seamless approach to the application for a loan and its decision-making process, is made as quickly and effectively as possible. The Committee has engaged with digital technology by introducing e-signatures for loan agreements.

The Credit Committee is aware of its obligations to all members to ensure that sound decisions are made to minimise any potential losses. As we point out to our members who take out loans, we appreciate that circumstances can change through, for example, redundancy, breakdown of a relationship or ill health. We encourage members under these circumstances to always contact the office before payments are missed, so arrangements can be made to reflect the change in circumstances. Each month an arrears list is reviewed, and decisions are taken as to what actions are needed.

The Committee reviews those accounts that are in arrears to recommend to the Board what provision should be made for potential bad debts. Firstly, provisions are made based on the number of weeks a loan is in arrears. Secondly, because of the unknown outcome on incomes resulting from the present economic crisis, a further general reserve is employed. The Bad Debt Provision stands at 14.9% of total loans (2022: 13.9%) requiring constant vigilance in monitoring loan accounts whilst dealing sympathetically with the pressures on members' household budgets.

We continue to receive heart-warming stories of how affordable loans have made a significant difference to members' lives, not least a result of the cost of living difficulties being encountered. There are several loan types on offer which can be tailored to the specific needs of a member. Below is a list of loan types and their values being carried in the accounts at the year-end with a comparison to the previous year values:

Loan products	2023		2022	
	Quantity	£	Quantity	£
Family Savings & Loan	410	160,747	294	120,074
Basic	251	448,266	187	324,179
Loyalty Savers	12	48,251	14	54,997
Save As You Borrow	18	23,325	19	24,113
Starter	7	2,463	10	4,708
Premier	5	14,456	5	5,804
Totals	703	697,507	529	533,875