

Manx Credit Union Limited

Annual Report and Financial Statements

30th September 2025



Manx Credit Union Limited

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Manx Credit Union Limited

Administrative information

Directors

Gillian Bowles (Chairperson)

Neil Booth (Vice-Chairperson)

Ian Yates (Secretary)

David Allwood (Treasurer)

Wendy Shimmin

Andrew Dunlop (Resigned 1.7.25)

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

Lindley Adams

28 Prescott Street

Halifax

HX1 2LG

Bankers

Lloyds Bank International Limited

Villiers House

2 Victoria Street

Douglas

IM1 2LN

Manx Credit Union Limited - Board of Management Report for the year ended 30 September 2025

Introduction

The Board of the Manx Credit Union (MCU) is delighted to present this report to members at the ninth 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 six 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.

Volunteers & staff

The MCU is run mostly by volunteers, including the Directors, and 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. The Board would also like to give a special mention along with our sadness at the passing of Andrew Dunlop who resigned as a Director in July 2025 after 7 years of invaluable service to the loans side of the business, and to David Allwood who will be stepping down from his role as Treasurer.

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. However, to deal with the increasing workload and the departures of key staff we have employed several people on an agency or self-employed basis to deal with important areas of the business such as Treasury and banking, and to deal with responses to the AML report from FSA (see below - Isle of Man Financial Services Authority).

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 at 30 September 2025, the MCU had nearly 1700 members and the Board would like to thank each and every one of them for joining the credit union. During the year 172 new members joined MCU but the accounts of 28 members were closed during the year, the main reasons being death, leaving the Island or the accounts being no longer required.

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 office at Ragnall House continues to work extremely well and we have secured additional space at Ragnall House for our continued growth.

Isle of Man Financial Services Authority (FSA)

In February 2025 the FSA's anti-money laundering (AML) team carried out a planned inspection at the MCU's office. No evidence of money laundering was identified by the inspection but their report made recommendations for administrative improvements. With reference to money laundering, it should be noted that physical cash receipts form a very small part of the MCU's day-to-day business. Each month the MCU's income comprises over 3,000 receipts, the majority of which are payments into our bank account from members' bank accounts or from the Isle of Man Government's Treasury for Family Loan repayments by deductions from state benefits. Physical cash receipts, all made in person at our office during opening hours, number on average fewer than 30 a month.

Since the report was issued we have been working on remediation plans. We have been reviewing and updating all our policies, processes and procedures and the FSA have been kept fully apprised of progress.

Credit Committee report

The Credit Committee was established by the Board of the Manx Credit Union to monitor the credit union's loan business. It meets weekly at our offices 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 and to overcome the difficulties of ensuring a quorum at meetings and any issues if the office has to be closed due to bad weather etc. we have the capacity for virtual attendance.

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 14.4% of total loans (2024: 22.7%) 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.

The value of loans provided in the year was £573,454 compared to the previous year of £660,559. This is partly due to a lack of loan officers and the availability of loan appointments.

We now use Transunion and carry out adverse media checks routinely on loan applications, this informs but does not dictate the decision-making process.

Interest rates: cash at bank and loans

During the reporting period 1 October 2024 to 30 September 2025, the Bank of England base rate dropped from 5% to 4%. The base rate was only 0.25% when the MCU was established in August 2016.

Although the base rate dropped we were still able to get a good rate of interest income from our bank account balances at Lloyds International during the financial period: we received £43,580 which compares favourably with the £40,758 received in the previous reporting period.

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 2.0% based on the average members' savings during the financial year to 30 September 2025.

Complaints and disputes

No complaints were made to, or disputes raised with, MCU in the period to 30 September 2025.

Future plans

We are introducing a new software system in the coming year to ensure compliance with all the new regulations and in readiness for the coming visit of MoneyVal to the Isle of Man. We have been fortunate to receive a grant of £75,000 from the Manx Lottery Trust Dormant Assets Grant Scheme to assist with the costs of the upgrade.

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;
- Lindley Adams for providing an audit service for the audited accounts;
- Crowe LLC for providing an internal audit service;
- our money-laundering reporting officer (MLRO);
- 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;
- David Talbot for his ongoing work for the credit union in his role as Honorary President.

This report was approved by the Board on ^{27.1.26} and signed on its behalf by


.....
Ian Yates (Company Secretary)


.....
David Allwood (Director)

REPORT OF THE INDEPENDENT AUDITOR TO MANX CREDIT UNION LTD

OPINION

We have audited the financial statements of Manx Credit Union Limited (the 'credit union') for the year ended 30 September 2025 which comprise revenue account, balance sheet, statement of changes to retained earnings, cash flow statement 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 Financial Reporting Standard 102 "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 at 30 September 2025 and of its income and expenditure for the year then 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 Co-operative and Community Benefit Societies Act 2014 and 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 have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the credit union'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.

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 Board is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained;
- the financial statements are not in agreement with the books of account; 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 Directors' responsibilities set out on page 2, the Board is 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 they 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 is 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.

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.

Irregularities, including fraud, and instances of non-compliance with laws and regulations. We design procedures based on assessed risk and in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the credit union and determined that the following were most relevant: FRS 102, Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1993. Our approach to identifying and assessing the risks of material misstatement in respect of irregularities. Including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations irrespective of the size of amounts involved;
- we enquired of management the systems and controls the credit union has in place, the areas of the financial statements that are mostly susceptible to the risks of irregularities and fraud (which we outline below) and whether there was any known, suspected or alleged fraud;
- we identified the laws and regulations applicable to the credit union through discussions with senior management;
- identified laws and regulations were communicated within the audit team who remained alert to instances of non-compliance throughout the audit.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including override of controls) and addressed the risk through:

- making enquiries of those charged with governance as to their knowledge of actual, suspected and alleged instances of fraud;
- considering the internal controls in place to mitigate the risks of fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed our audit procedures which included, but were not limited to:

- reviewing the financial statements disclosures and determining whether accounting policies have been appropriately applied;
- obtaining third party confirmation of bank balances;
- reviewing the minutes of meetings of those charged with governance;
- reviewing relating party transactions of those charged with governance and determining whether the information provided is complete and appropriately disclosed in the financial statements;
- reviewing correspondence from professional advisors and regulators;
- reviewing and testing the internal controls in place for loans and savings and determining whether controls have been appropriately applied;
- reviewing and testing of revenue recognition processes and determining completeness of income;
- checking expenses are bona fide transactions of the credit union, and;
- reviewing post balance sheet and subsequent events, both financial and non-financial, that have occurred in the period between the financial year end and the signing of the audit report.

There is a risk that we will not detect all irregularities, including fraud, because of the inherent limitations of an audit, including those leading to a material misstatement in the financial statements of non-compliance with regulations. The areas in the financial statements that are most susceptible to fraud are Loans and Advances to Members and Subscribed Capital. We have investigated in particular where there is:

- Inadequate internal controls, resulting from: management override, lack of oversight, segregation in duties or supervisory controls;
- Inadequate record keeping, resulting from: lack of complete and timely reconciliations of bank or cash or a lack of timely and appropriate documentation of transactions;
- Evidence of past or suspected fraud in the credit union;
- A high turnover of senior management or key staff;
- High volumes of cash being handled and processed;

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the credit union, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union those matters we are required to state to it in a Report of the auditor's 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, for our audit work, for this report, or for the opinions we have formed.



.....
Lindley Adams Limited
Chartered Accountants and Statutory Auditors
28 Prescott Street,
Halifax, HX1 2LG

Date.....27/2/26.....

Manx Credit Union Limited
Revenue Account

for the year ended 30 September 2025

	Note	2025 £	2024 £
Loan interest receivable and similar income	4	158,773	183,778
Less dividend paid	5	<u>(31,145)</u>	<u>(27,792)</u>
Net interest income		127,628	155,986
Fees and commissions receivable	6	909	1,207
Bank Charges		<u>(141)</u>	<u>(195)</u>
Net fees and commissions receivable		768	1,012
Other income	7	15,070	15,495
Administrative expenses	8a	(27,633)	(27,286)
Promotion	8b	(1,572)	(5,211)
Other operating expenses	8c	(27,799)	(29,339)
Impairment losses on loans to members		<u>(3,511)</u>	<u>(47,157)</u>
		(45,445)	(93,498)
Surplus/(Deficit) before taxation		82,952	63,500
Taxation	10	<u>-</u>	<u>-</u>
Surplus/(Deficit) for the financial year		82,952	63,500
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>82,952</u>	<u>63,500</u>

Manx Credit Union Limited
Balance Sheet

as at 30 September 2025

	Note	2025 £	2024 £
ASSETS			
Cash, cash equivalents and liquid deposits	15	1,279,670	1,042,611
Loans to members	11	491,501	510,358
Prepayments and accrued income		21,013	21,073
Total Assets		<u><u>1,792,184</u></u>	<u><u>1,574,042</u></u>
LIABILITIES			
Subscribed capital - repayable on demand	12	1,430,442	1,294,975
Deferred Shares	16	38,516	38,516
Other payables	13	5,069	5,350
Retained earnings		318,158	235,202
Total Liabilities		<u><u>1,792,184</u></u>	<u><u>1,574,042</u></u>

The financial statements were approved and authorised for issue by the Board on [27.09.2025] 2025 and signed on its behalf by:



 Director

David Allwood

 Director

Manx Credit Union Limited

Statement of Changes in Equity

for the year ended 30 September 2025

	General Reserves	Total Reserves
	£	£
as at 30 September 2023	171,706	171,706
Surplus/(deficit) for the period	<u>63,500</u>	<u>63,500</u>
as at 30 September 2024	235,206	235,206
Surplus/(deficit) for the period	<u>82,952</u>	<u>82,952</u>
as at 30 September 2025	<u>318,158</u>	<u>318,158</u>

Manx Credit Union Limited
Cash Flow Statement
for the year ended 30 September 2025

		2024	2024
	Note	£	£
Cash flows from operating activities			
Surplus before taxation		82,952	63,500
Adjustments for non-cash items:			
Impairment losses	11c	<u>(68,248)</u>	<u>46,519</u>
		14,704	110,019
Movements in:			
Accrued interest		5,132	1,138
Prepayments and accrued income		60	15,606
Other payables		<u>(281)</u>	<u>(18,910)</u>
		4,911	(2,166)
Cash flows from changes in operating assets and liabilities			
Deferred Shares	16	-	(3,900)
Cash inflow from subscribed capital	12	791,683	652,150
Cash outflow from repaid capital	12	(656,215)	(554,354)
Loans to members	11a	(518,462)	(455,870)
Repayment of loans by members	11a	<u>600,435</u>	<u>491,681</u>
Net cash flows from operating activities		217,441	129,707
Cash flow from investing activities			
Purchase of tangible assets		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		237,056	237,560
Cash and cash equivalents at beginning of year		<u>1,042,610</u>	<u>805,050</u>
Cash and cash equivalents at end of year		<u>1,279,670</u>	<u>1,042,610</u>

Manx Credit Union Limited
Notes to the financial statements

for the year ended 30 September 2025

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 the Republic of Ireland.

Going concern

The financial statements have been prepared on a 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 member 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.

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 the 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 had been the policy of the Manx Credit Union's Board of Management, not to use member's 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 the 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 dividend, 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 2025

Manx Credit Union Limited
Notes to the financial statements (continued)

for the year ended 30 September 2025

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

	2025	2024
	£	£
Loan interest receivable from members	115,193	143,020
Bank interest receivable on cash and liquid deposits	<u>43,680</u>	<u>40,758</u>
	<u>168,773</u>	<u>183,778</u>

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.

	2025	2024
	£	£
Dividend Paid	<u>31,146</u>	<u>27,792</u>

6 Fees and commissions receivable

	2025	2024
	£	£
Entrance fees	858	1025
Engage Card Commission	<u>51</u>	<u>182</u>
	<u>909</u>	<u>1,207</u>

Number of members

	2025	2024
Number of Members	1,839	1,688

7 Other Income

	2025	2024
	£	£
<i>Donations received during the year to cover:</i>		
Bank charges - Lloyds Bank International Ltd.	0	0
Credit check fees - Channel Islands Debt Services	69	345
Development costs - Sundry donations	1	150
Caroma Software	0	0
Santandar	<u>15,000</u>	<u>15,000</u>
	<u>15,070</u>	<u>15,495</u>

8 Expenses

	2025	2024
	£	£
Administrative expenses	8a. 27,633	27,286
Promotion	8b. 1,572	5,211
Other operating expenses	8c. <u>27,799</u>	<u>29,339</u>
	<u>57,004</u>	<u>61,836</u>

Manx Credit Union Limited
Notes to the financial statements

for the year ended 30 September 2025

Manx Credit Union Limited
Notes to the financial statements (continued)

for the year ended 30 September 2025

8a. Administrative expenses

	2025	2024
	£	£
Audit	5,040	4,200
* Credit Check Fees	69	441
Legal & Professional	3,484	2,900
Telephone	1,503	1,574
Printing, Stationery & Postage	1,764	3,132
Insurance	683	673
Minor Capital Goods	900	0
* Caroma Software	13,680	13,200
Training, Volunteer, AGM & Conference Costs	510	1,166
	<u>27,633</u>	<u>27,286</u>

*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.

	2025	2024
	£	£
Website	1,008	1,008
On-line Applications for membership and loan	420	380
Other promotional activity	144	3,823
	<u>1,572</u>	<u>5,211</u>

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	2025	2024
		£	£
Cost of occupying an office (excluding depreciation)			
Licence agreement for fully serviced office	19	15,000	12,000
Property Maint Costs		11,225	9,674
Security		-	-
Heating & Lighting Costs		301	466
		<u>26,526</u>	<u>22,140</u>
Regulatory and financial management costs			
Trade Association Fees		-	1,066
Fidelity insurance		2,377	1,716
Death Benefit - Members Loans		(1,104)	4,417
		<u>1,273</u>	<u>7,199</u>
		<u>27,799</u>	<u>29,339</u>

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 2025

Manx Credit Union Limited
Notes to the financial statements (continued)

for the year ended 30 September 2025

11 Loans to members - financial assets

11 Loans to members - financial assets

11a Loans advanced to members

	2024	2024
	£	£
Total loan assets at 1 October 2024	510,358	593,826
Loans advanced during the year	518,462	455,670
Repaid during the year	(605,567)	(492,628)
Impairment losses	68,248	(46,510)
Total loan assets at 30 September 2025	<u>491,501</u>	<u>510,358</u>
Number of Loans in operation	696	779
The average borrowed by members during the year	635	657

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 the loans to members at the period ended 30 September 2025 is £567,054 with a total of £190,362 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 £5,000 above the 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.

	2025		2024	
	Amount £	Proportion %	Amount £	Proportion %
Not impaired:				
Not yet past due	448,869	95.22%	417,942	85.42%
Up to 3 months past due	22,542	4.78%	71,340	14.58%
Between 3 and 6 months past due	-	-	-	-
Between 6 and 9 months past due	-	-	-	-
Between 9 and 12 months past due	-	-	-	-
Over 1 year past due	-	-	-	-
Loans not impaired	<u>471,411</u>	<u>100%</u>	<u>489,282</u>	<u>100%</u>

11b Credit risk disclosures (cont.)

Individually impaired:

	2025		2024	
	Amount	Proportion	Amount	Proportion
Not yet past due, but impaired	-	-	-	-
Up to 3 months past due	-	0.00%	-	-
Between 3 and 6 months past due	11,527	12.05%	31,936	18.65%
Between 6 and 9 months past due	19,696	20.59%	15,814	9.23%
Between 9 and 12 months past due	6,380	6.67%	17,364	10.14%
Over 1 year past due	58,040	60.68%	106,163	61.98%
Specifically impaired loans	<u>95,643</u>	<u>100%</u>	<u>171,277</u>	<u>100%</u>
Total loans	<u>567,054</u>	<u>100%</u>	<u>660,559</u>	<u>100%</u>
Impairment Allowance	<u>(81,953)</u>		<u>(150,201)</u>	
Total carrying value of loans	<u>486,101</u>		<u>510,358</u>	

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

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11c Allowance account for impairment losses

	2025	2024
	£	£
As at 1 October 2024	150,201	103,682
Increase in allowance losses in year	(73,454)	46,519
As at 30 September 2025	<u>76,747</u>	<u>150,201</u>

11d Impairment losses recognised for the year

	2025	2024
	£	£
As at 1 October 2024	47,157	638
Increase in allowance losses in year	(41,951)	46,519
As at 30 September 2025	<u>5,206</u>	<u>47,157</u>

12 Subscribed capital - financial liabilities

	2025	2024
	£	£
As at 1 October 2024	1,294,973	1,197,177
Received during the year	791,683	652,150
Withdrawn during the year	(656,215)	(554,354)
As at 30 September 2025	<u>1,430,441</u>	<u>1,294,973</u>

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 the 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 agreement 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 licenced Isle of Man bank which is reviewed by the directors on a regular basis to ensure its adequacy.

13 Other payables

	2024	2024
	£	£
Accruals	<u>5,069</u>	<u>5,350</u>
	5,069	5,350

14 Additional financial instruments disclosures

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 the 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.

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Interest rate risk disclosures

14b The following table shows the average annual interest rate applicable to relevant financial assets.

	2025		2024	
	Amount £	Average interest rate	Amount £	Average interest rate
Financial assets				
Loans to members - gross	573,454	12.60%	697,508	14.20%
Impairment losses	(81,953)		(103,682)	
Loans to members - net	<u>491,501</u>		<u>593,826</u>	
Financial liabilities				
Subscribed capital	<u>1,430,442</u>		<u>1,197,178</u>	

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.

14c Liquidity risk disclosures

MCU's financial liabilities, the subscribed capital, are repayable 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

	2025	2024
	£	£
Cash and bank deposits	221,197	175,529
One month term	-	-
95 Day notice	1,068,473	867,082
Six month term	-	-
Twelve month term	-	-
Total	<u>1,279,670</u>	<u>1,042,611</u>

16 Deferred Shares

	2025	2024
	£	£
As at 1 October 2024	38,516	42,416
Received during the year	-	1,000
Withdrawn during the year	-	(4,900)
As at 30 September 2025	<u>38,516</u>	<u>38,516</u>

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

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

19 Related party transactions

During the year, 6 members (2024, 6 members) of either the Board, staff and their close family members had loans with MCU granted for £14,400 [2024: £12,675]. 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 the year-end was £18,652 [2024: £20,697].

21 Subsequent Event

The Board have proposed a dividend of £27,300, 2% [2024 : 28,500 2.5%] which will be confirmed at the AGM.