

Manx Credit Union Limited

Annual Report and Financial Statements

30th September 2024



## Manx Credit Union Limited

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## **Manx Credit Union Limited**

### **Administrative information**

#### **Directors**

Gillian Bowles -22.1.24 (Chairperson)  
Neil Booth -22.1.24 (Vice-Chairperson)  
Ian Yates (Secretary)  
David Allwood (Treasurer)  
Wendy Shimmin  
Andrew Dunlop  
Joyce Hatton  
Christopher Murphy -Resigned 22.1.24

#### **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](mailto:info@mcu.im)  
Website: [www.mcu.im](http://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 2024**

### **Introduction**

The Board of the Manx Credit Union (MCU) is delighted to present this report to members at the eighth 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 four times in the reporting period, although in addition the Directors regularly attend the office during opening hours to help with volunteering duties.

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.

We are always keen to seek new volunteers so please contact the Secretary if you are interested in volunteering or would like more information.

### **Members**

As at 30 September 2024, the MCU had over 1,600 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 1,431 members so membership continues to grow. 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.

### **Auditor**

We changed our auditor during the year and Lindley Adams replaced Azets. This was done on cost grounds as the proposed fee by the new auditors was around half the fee proposed

by the previous auditor, so the Board decided that this would provide a more prudent use of the members' funds.

### UKCU

In August 2024 we decided to end our affiliation with UKCU, the Lancashire-based trade body for credit unions. It was not an easy decision, but the Board felt that UKCU's proposed increase in the annual fees over the next few years did not provide sufficient value for money to a Manx-based credit union. Membership of UKCU provided us with a limited form of "death benefit" coverage for loans for which we are no longer eligible now our membership has ceased. Enquiries for alternative death benefit coverage have been made but there are limited options and premiums are expensive. We will continue to monitor the situation going forwards on behalf of our members.

### Interest rates: cash at bank and loans

During the reporting period 1 October 2023 to 30 September 2024, the Bank of England base rate was 5.25% for most of the period before it dropped to 5% on 1 August 2024. The base rate was only 0.25% when the MCU was established in August 2016, so this high base rate has enabled us to get a decent return of interest on our cash at bank during the year.

### 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 2022-23 dividend was 2.5%) based on the average members savings during the financial year to 30 September 2024.

### Special thanks

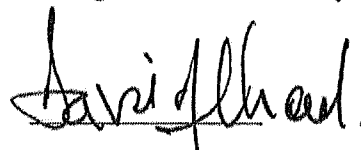
In addition to the members and volunteers the Board wishes to thank the following for their help and support:

- 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.
- Lindley Adams for providing an audit service for the audited accounts.
- Crowe LLC for providing an internal audit service.
- Santander International for providing three years of funding at £15,000 a year.
- CIDS for providing a free credit reference service.

This report was approved by the Board on ..... 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 2024 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 2024 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.

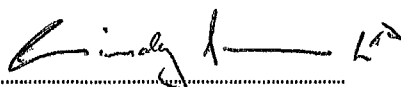
There is a risk that we will not detect all irregularities, including fraud, because of the inherent limitations of an audit, including those leading to a material misstatement in the financial statements of non-compliance with regulations. The areas in the financial statements that are most susceptible 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](http://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..... 13/ February / 2021

**Manx Credit Union Limited**  
**Revenue Account**  
*for the year ended 30 September 2024*

	Note	2024 £	2023 £
Loan interest receivable and similar income	4	183,778	157,581
Less dividend paid	5	<u>(27,792)</u>	<u>(18,520)</u>
<b>Net interest income</b>		<b>155,986</b>	<b>139,061</b>
Fees and commissions receivable	6	1,207	1,608
Fees and commissions payable			
Bank Charges		<u>(195)</u>	<u>(129)</u>
<b>Net fees and commissions receivable</b>		<b>1,012</b>	<b>1,479</b>
Other income	7	15,495	23,349
Manx Credit Union Working Party	2	-	-
Administrative expenses	8a	(27,286)	(27,632)
Promotion	8b	(5,211)	(8,204)
Other operating expenses	8c	(29,339)	(23,323)
Impairment losses on loans to members	11d	<u>(47,157)</u>	<u>(32,369)</u>
		<b>(93,498)</b>	<b>(68,179)</b>
<b>Surplus/(Deficit) before taxation</b>		<b>63,500</b>	<b>72,361</b>
Taxation	10	-	-
<b>Surplus/(Deficit) for the financial year</b>		<b>63,500</b>	<b>72,361</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>63,500</b>	<b>72,361</b>




**Manx Credit Union Limited**  
**Balance Sheet**  
*as at 30 September 2024*

	Note	2024 £	2023 £
<b>ASSETS</b>			
Cash, cash equivalents and liquid deposits	15	1,042,611	805,050
Loans to members	11	510,358	593,826
Prepayments and accrued income		21,073	36,679
<b>Total Assets</b>		<u>1,574,042</u>	<u>1,435,555</u>
<b>LIABILITIES</b>			
Subscribed capital - repayable on demand	12	1,294,973	1,197,177
Deferred Shares	16	38,516	42,416
Other payables	13	5,350	24,260
Retained earnings		235,202	171,702
<b>Total Liabilities</b>		<u>1,574,042</u>	<u>1,435,555</u>

The financial statements were approved and authorised for issue by the Board on, { 18/2 } 2025 and signed on its behalf by :

  
 Director

  
 Director

**Manx Credit Union Limited**  
**Statement of Changes In Equity**  
*for the year ended 30 September 2024*

	<b>General Reserves</b>	<b>Restricted Reserves</b>	<b>Total Reserves</b>
	£	£	£
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	<u>171,702</u>	-	<u>171,702</u>
Surplus/(deficit) for the period	63,500	-	63,500
as at 30 September 2024	<u>235,202</u>	-	<u>235,202</u>

Manx Credit Union Limited  
**Cash Flow Statement**  
*for the year ended 30 September 2024*

	2024	2023
	£	£
<b>Cash flows from operating activities</b>	Note	
Surplus before taxation	63,500	72,361
Adjustments for non-cash items:		
Impairment losses	11c 46,519	30,229
	<u>110,019</u>	<u>102,590</u>
Movements in:		
Accrued interest	1,138	5,869
Prepayments and accrued income	15,606	(19,683)
Other payables	(18,910)	(4,040)
	<u>(2,166)</u>	<u>(17,854)</u>
<b>Cash flows from changes in operating assets and liabilities</b>		
Deferred Shares	16 (3,900)	8,000
Cash inflow from subscribed capital	12 652,150	643,335
Cash outflow from repaid capital	12 (554,354)	(440,114)
Loans to members	11a (455,870)	(557,656)
Repayment of loans by members	11a 491,681	381,531
<b>Net cash flows from operating activities</b>	<u>129,707</u>	<u>35,096</u>
<b>Cash flow from investing activities</b>		
Purchase of tangible assets	<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	237,560	119,832
Cash and cash equivalents at beginning of year	<u>805,050</u>	<u>685,218</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>1,042,610</u></u>	<u><u>805,050</u></u>

**Manx Credit Union Limited**  
**Notes to the financial statements**  
*for the year ended 30 September 2024*

**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 (continued)**  
*for the year ended 30 September 2024*

**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**

	2024	2023
	£	£
Loan interest receivable from members	143,020	133,590
Bank interest receivable on cash and liquid deposits	40,758	23,991
	<u>183,778</u>	<u>157,581</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.

	2024	2023
	£	£
Dividend Paid	<u>27,792</u>	<u>18,520</u>

**6 Fees and commissions receivable**

	2024	2023
	£	£
Entrance fees	1025	1435
Engage Card Commission	182	173
	<u>1,207</u>	<u>1,608</u>

**Number of members**

	2024	2023
Number of Members	1,688	1462

**7 Other income**

	2024	2023
	£	£
<i>Donations received during the year to cover:</i>		
Bank charges - Lloyds Bank International Ltd.	-	117
Credit check fees - Channel Islands Debt Services	345	166
Promotion - Manx Lottery grant	-	0
Development costs - Sundry donations	150	2,019
Caroma Software	-	6,047
Santandar	15,000	15,000
	<u>15,495</u>	<u>23,349</u>

**8 Expenses**

	2024	2023
	£	£
Administrative expenses	8a. 27,286	27,632
Promotion	8b. 5,211	8,204
Other operating expenses	8c. 29,339	23,323
Depreciation & amortisation	-	-
	<u>61,836</u>	<u>59,159</u>

Manx Credit Union Limited  
**Notes to the financial statements (continued)**  
*for the year ended 30 September 2024*

**8a. Administrative expenses**

	2024	2023
	£	£
Audit	4,200	5,280
* Credit Check Fees	441	166
Legal & Professional	2,900	2,498
Telephone	1,574	1,327
Printing, Stationery & Postage	3,132	3,298
Insurance	673	583
Minor Capital Goods	-	2,720
* Caroma Software	13,200	11,760
Training & Conference Costs	1,186	-
	<u>27,286</u>	<u>27,632</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

	2024	2023
	£	£
Website	1,008	771
On-line Applications for membership and loan	380	300
Other promotional activity	3,823	6,538
	<u>5,211</u>	<u>7,609</u>

**8c. Other operating expenses**

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

	Note	2024	2023
		£	£
Cost of occupying an office (excluding depreciation)		-	-
Licence agreement for fully serviced office		12,000	7,767
Property Maint Costs		9,674	9,452
Security		-	65
Heating & Lighting Costs		468	-
		<u>22,140</u>	<u>17,284</u>
Regulatory and financial management costs		-	-
Trade Association Fees		1,068	1,321
Fidelity Insurance		1,716	1,400
Death Benefit - Members Loans		4,417	3,318
		<u>7,199</u>	<u>6,039</u>
		<u>29,339</u>	<u>23,323</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 (continued)  
for the year ended 30 September 2024

11 Loans to members - financial assets

11 Loans to members - financial assets

11a Loans advanced to members

	2024	2023
	£	£
Total loan assets at 1 October 2023	593,826	453,799
Loans advanced during the year	459,870	557,656
Repaid during the year	(492,819)	(387,400)
Impairment losses	(46,519)	(30,229)
Total loan assets at 30 September 2024	<u>510,358</u>	<u>593,826</u>
Number of Loans in operation	779	703
The average borrowed by members during the year	657	787

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 2024 is £503,165 with a total of £188,504 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.

	2024		2023	
	Amount £	Proportion %	Amount £	Proportion %
Not impaired:				
Not yet past due	417,042	85.42%	507,173	85.09%
Up to 3 months past due	71,340	14.58%	88,867	14.91%
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>489,282</u>	<u>100%</u>	<u>596,030</u>	<u>100%</u>

11b Credit risk disclosures (cont.)

Individually impaired:

	2024		2023	
	Amount	Proportion	Amount	Proportion
Not yet past due, but impaired	-	-	-	-
Up to 3 months past due	-	-	-	-
Between 3 and 6 months past due	31,936	18.65%	18,322	18.06%
Between 6 and 9 months past due	15,814	9.23%	7,681	7.57%
Between 9 and 12 months past due	17,364	10.14%	13,427	13.23%
Over 1 year past due	108,163	61.98%	62,047	61.14%
Specifically impaired loans	<u>171,277</u>	<u>100%</u>	<u>101,477</u>	<u>100%</u>
Total loans	660,569	100%	697,507	100%
Impairment allowance	(150,201)		(103,682)	
Total carrying value of loans	<u>510,368</u>		<u>593,826</u>	

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

Manx Credit Union Limited  
**Notes to the financial statements (continued)**  
*for the year ended 30 September 2024*

**11c Allowance account for Impairment losses**

	2024	2023
	£	£
<i>As at 1 October 2023</i>	103,682	73,453
Increase in allowance losses in year	48,519	30,229
<i>As at 30 September 2024</i>	<u>150,201</u>	<u>103,682</u>

**11d Impairment losses recognised for the year**

	2024	2023
	£	£
Impairment of individual financial assets	638	2,140
Increase (decrease) in impairment allowances during the year	48,519	30,229
<b>Total impairment losses (gains) recognised for the year</b>	<u>47,157</u>	<u>32,369</u>

**12 Subscribed capital - financial liabilities**

	2024	2023
	£	£
<i>As at 1 October 2023</i>	1,197,177	983,957
Received during the year	652,150	643,335
Withdrawn during the year	(554,354)	(440,114)
<i>As at 30 September 2024</i>	<u>1,294,973</u>	<u>1,197,177</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	2023
	£	£
Accruals	5,350	24,260
	<u>5,350</u>	<u>24,260</u>

**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.



**Manx Credit Union Limited**  
**Notes to the financial statements (continued)**  
*for the year ended 30 September 2024*

**Interest rate risk disclosures**

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

	2024		2023	
	Amount £	Average interest rate	Amount £	Average interest rate
<b>Financial assets</b>				
Loans to members - gross	660,559	12.60%	697,508	14.20%
Impairment losses	(150,201)		(103,682)	
Loans to members - net	<u>510,358</u>		<u>593,826</u>	
<b>Financial liabilities</b>				
Subscribed capital	<u>1,204,974</u>		<u>1,197,178</u>	

The maximum interest rates applicable to a member's loan is 3% per month 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

	2024	2023
	£	£
Cash and bank deposits	175,529	167,207
One month term	-	-
95 Day notice	867,082	637,843
Six month term	-	-
Twelve month term	-	-
Total	<u>1,042,611</u>	<u>805,050</u>

16 Deferred Shares

	2024	2023
	£	£
As at 1 October 2023	42,416	34,416
Received during the year	1,000	8000
Withdrawn during the year	(4,900)	-
As at 30 September 2024	<u>38,516</u>	<u>42,416</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, six members (2023:5 members) of either the Board, staff and their close family members had loans with MCU granted for £12,675 [2023:10,682]. 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 £20,697 [2023: £16,440].

20 Subsequent Event

The Board have proposed a dividend of £28,500 2.5% [2023 : £27,792 2.5%] which will be confirmed at the AGM.

**Manx Credit Union Limited - Credit committee summary – for the year ended 30 September 2024**

Reviewed 822 loan applications totalling £665,374.79.

Approved 720 loan applications totalling £480,634.79.

102 applications declined, lapsed, or withdrawn.

Top three reasons for loans:

- 172 loan applications totalling £70,800.63 for Christmas.
- 129 loan applications totalling £49,249 for bills.
- 83 loan applications totalling £64,711.87 for home improvements.

Approved loans by type:

- Basic – 141 totalling £207,581.04
- Emergency / starter – 9 totalling £2,905.00
- Family – 546 totalling £200,239.75
- Loyalty Saver – 13 totalling £24,000
- Premier – 9 totalling £30,744.00
- Save As You Borrow – 8 totalling £15,665.00.

Busiest 2 months were:

- November - 131
- December - 84

Quietest month was January - 33

Due to reduced staffing in 2024, we have streamlined the loan application process, and this has allowed us to interview more members and especially at busier times, i.e. the run up to Christmas.