

Manx Credit Union Limited
Annual Report and Financial statements
30th September 2022



Manx Credit Union Limited

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Manx Credit Union Limited

Administrative information

Directors

David Talbot (Chairman)

Ian Yates (Secretary)

Wendy Shimmin

David Allwood (Treasurer)

Andrew Dunlop

Joyce Hatton

Christopher Murphy (Vice Chairman) (Appointed 1.6.22)

Paul Blake (Vice Chairman) (Resigned 29.4.22)

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

Naylor Wintersgill Limited

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 2022

Introduction

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

In July 2022 we moved to our new premises at Ragnall House in Peel Road, Douglas: after six years at our original office at Nadine House we needed more space to accommodate the increasing number of members and associated information, and the new premises give us brighter and bigger office space.

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.

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 2022, the MCU had 1,175 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 921 members so another 254 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.

Manx Credit Union Limited

Board of Management Report *for the year ended 30 September 2022 (continued)* 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% (the 2020-21 dividend was 1.0%) based on the average members savings during the financial year to 30 September 2022.

Complaints and disputes

No complaints were made to, or disputes raised with, MCU in the period to 30 September 2022.

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;
- Naylor Wintersgill 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 and also their very generous provision of office furniture for our new premises at Ragnall House;
- CIDS for providing a free credit reference service;
- the Manx Credit Union Trust who provide the guarantee for our members' savings.

New initiatives introduced during the reporting period

Our mobile app was launched during the year and around 300 members are using it, giving them readonly access to their account information. Members can apply for the app by contacting the credit union office.

Challenges and events for the next year

The current financial situation and cost-of-living crisis will impact on the Island's community, bringing pressure on household budgets and perhaps more demand on the credit union's services. The Manx Credit Union will continue to support its members as best it can during these difficult times.

Ian Yates
Company Secretary

24th January 2023

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 2022 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 at 30 September 2022 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

Manx Credit Union Limited

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

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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Credit Union, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Isle of Man law and we considered the extent to which non-compliance might have a material effect on the financial statements of the Credit Union. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Credit Unions Act 1993. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure or increase the capital position of the Credit Union, and management bias in accounting estimates and judgmental areas of the financial statements. Audit procedures performed by the engagement team included:

- discussions with the Board including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes;
- Reviewing of correspondence in so far as they relate to non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted on unusual days, posted by infrequent users, posted by senior management or posted with descriptions indicating a higher level of risk;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing over immaterial liabilities and assets balances.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

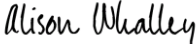
Manx Credit Union Limited

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

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

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.

DocuSigned by:

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Alison Whalley (Senior Statutory Auditor)

Date 24th January 2023 For

and on behalf of Naylor Wintersgill Limited 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 2022**

	Note	2022 £	2021 £
Loan Interest receivable and similar income	4	103,529	69,571
Less Dividend Paid	5	(8,127)	(6,792)
		<hr/>	
Net interest income		95,402	
	6	<hr/>	62,779
		1,479 (1,486)	
Fees and commissions receivable			1,279
Bank Charges			(1,339)
		<hr/>	
Net Fees and commissions receivable		(7)	(42)
			<hr/>
Other Income	7	11,096	5,084
Administrative expenses	8a	(23,137)	(16,634)
Promotion	8b	(2,976)	(1,797)
Other Operating Expenses	8c	(12,900)	(10,067)
Impairment losses on loans to members		(29,943)	(20,169)
		<hr/>	
		(57,860)	(43,583)
		<hr/>	
Surplus/(Deficit) before taxation		37,535	19,154
Taxation	10	-	-
		<hr/>	

Manx Credit Union Limited

Surplus/(Deficit) for the financial year	37,535	19,154
other comprehensive income	-	-
	<hr/>	
Total comprehensive income	37,535	19,154
	<hr/>	

Balance Sheet as at 30 September 2022

	Note	2022 £	2021 £
ASSETS			
Cash, cash equivalents and liquid deposits	15	685,218	577,939
Loans to members	11	453,799	367,666
Prepayments and accrued income		16,996	22,464
		<hr/>	
Total Assets		1,156,013	968,069
		<hr/>	
LIABILITIES			
Subscribed capital - repayable on demand	12	993,956	853,409
Deferred shares	16	34,416	33,916
Other payables	13	28,300	18,940
Retained earnings		99,341	61,804
		<hr/>	
Total Liabilities		1,156,013	968,069
		<hr/>	

Manx Credit Union Limited

The financial statements were approved and authorised for issue by the Board on 24th January 2023 and signed on its behalf by:

.....

Ian Yates
Director

.....

David Allwood
Director

Statement of Changes in Equity *for the year ended 30 September 2022*

	General Reserves £	Restricted Reserves £	Total Reserves £
as at 30 September 2020	39,135	3,515	42,650
Surplus/(deficit) for the period	20,036	(880)	19,156
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

Manx Credit Union Limited

Cash Flow Statement for the year ended 30 September 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Surplus before taxation		37,535	19,156
Adjustments for non - cash items:			
Impairment losses	11c	29,049	17,161
		66,584	36,317
Movements in:			
Accrued interest		3,173	3,112
Prepayments and accrued income		5,468	(6,926)
Other payables		9,361	484
		18,002	(3,330)
Cash flows from changes in operating assets and liabilities			
Deferred shares	16	500	-
Cash inflow from subscribed capital	12	426,746	370,313
Cash outflow from repaid capital	12	(286,198)	(240,855)
Loans to members	11a	(430,123)	(316,399)
Repayment of loans by members	11a	311,768	211,316
		22,693	24,375
Cash flow from investing activities			
Purchase of tangible assets		-	-

Manx Credit Union Limited

Net increase in cash and cash equivalents	107,279	57,362
Cash and cash equivalents at beginning of year	577,939	520,577
Cash and cash equivalents at end of year	685,218	577,939

Notes to the Financial Statements for the year ended 30 September 2022**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.

Notes to the Financial Statements for the year ended 30 September 2022**2 Accounting Policies (Cont.)*****Financial assets - loans and advances to members***

Manx Credit Union Limited

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 2022

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

	2022	2021
	£	£
Loan interest receivable from members	100,168	68,841
Bank interest receivable on cash and liquid deposits	3,361	730
	103,529	69,571

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.

	2022	2021
	£	£
Dividend paid	8,127	6,792

Manx Credit Union Limited**Notes to the Financial Statements for the year ended 30 September 2022****6 Fees and commissions receivable**

	2022	2021
	£	£
Entrance Fees	1,310	1,297
Engage Card Commission	169	-
	1,479	1,297

Number of Members

	2022	2021
Number of members	<u>1,175</u>	<u>921</u>

7 Other Income

	2022	2021
	£	£
<i>Donations received during the year to cover:</i>		
Bank Charges - Lloyds Bank International Ltd.	1,486	1,291
Credit check fees - Channel Islands Debt Services	156	433
Promotion - Manx lottery trust	-	380
Development Costs - Sundry donations	-	100
Nadine Charitable Trust	2,014	-
Caroma Software	7,440	2,880
	11,096	5,084

8 Expenses

		2022	2021
	Note	£	£
Administrative expenses	8a.	23,137	16,634
Promotion	8b.	2,976	1,797
Other operating expenses	8c.	12,900	10,067
		39,013	28,498

8a. Administrative expenses**2022****2021**

Manx Credit Union Limited

Notes to the Financial Statements for the year ended 30 September 2022

	Note	£	£
Audit		4,200	5,400
Credit Check Fees*		156	432
Legal & Professional		748	498
Telephone		687	571
Printing, Stationery & Postage		2,482	2,300
Insurance		583	1,293
Minor Capital Goods		3,241	-
Caroma	11,040		6,140
			Software*
		23,137	16,634

* 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	2022 £	2021 £
Website		636	617
On-line applications for membership and loan		300	300
Other Promotional activity		2,040	880
		2,976	1,797

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	2022 £	2021 £
Cost of occupying an office (excluding depreciation)			
License agreement for fully serviced office & Rent		7,367	5,925
Security		210	240
		7,577	6,165
Regulatory and financial management costs			
Trade association fees		1,321	1,321
Fidelity Insurance		1,346	1,185
Death Benefit - Members Loans		2,656	1,396
		5,323	3,902

Manx Credit Union Limited**Notes to the Financial Statements for the year ended 30 September 2022**

12,900	10,067

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.

11. Loans to members - financial assets**11a. Loans advanced to members**

	2022	2021
	£	£
Total loan assets at 1 October 2021	367,666	282,856
Loans advanced during the year	430,123	316,399
Repaid during the year	(314,941)	(214,428)
Impairment losses	(29,049)	(17,161)
Total loan assets at 30 September 2022	453,799	367,666
Number of Loans in operation	529	340
The average borrowed by members during the year	813	803

Manx Credit Union Limited

Notes to the Financial Statements for the year ended 30 September 2022

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 2022 is £453,799 with a total of £120,845 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.

	2022		2021	
	Amount £	Proportion %	Amount £	Proportion %
Not Impaired:				
Not yet past due	402,612	90.47%	309,044	85.15%
Up to 3 months past due	42,415	9.53%	53,964	14.85%
Between 3 and 6 months past due	-	-	-	-
Between 6 and 9 months past due	-	-	-	-
Between 9 and 12 months past due	-	-	-	-
one year past due	-	-	-	-
				- Over
Loans not impaired	445,027	100.00%	363,008	100.00%

11b. Credit risk disclosures (cont.)

	2022		2021	
	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	15,687	19.08%	12,879	26.41%
Between 6 and 9 months past due	11,711	14.24%	10,481	21.49%
Between 9 and 12 months past due	9,308	11.32%	7,145	14.65%
Over one year past due	45,519	55.36%	18,257	37.44%

Manx Credit Union Limited**Notes to the Financial Statements for the year ended 30 September 2022**

Specifically impaired loans	%	82,225	100%	48,762	100
Total loans	%	527,252	100%	411,770	100
Specific impairment allowance				(33,202)	
Additional General Allowance				(11,202)	
		(73,453)		(44,404)	
Total carrying value of loans					
Factors that are considered in determining whether loans are impaired are discussed Note 3 above.		453,799		367,366	in

11c. Allowance account for impairment losses

	2022	2021
	£	£
<i>As at 1 October 2021</i>	44,404	27,243
Increase in allowance losses for the year	29,049	17,161
<i>As at 30 September 2022</i>	73,453	44,404

Manx Credit Union Limited**Notes to the Financial Statements for the year ended 30 September 2022****12. Subscribed capital - financial liabilities**

	2022	2021
	£	£
As at 1 October 2021	853,409	723,591
Received during the year	426,746	370,313
Withdrawn during the year	(286,198)	(240,855)
	<hr/>	<hr/>
As at 30 September 2022	993,957	853,409
	<hr/>	<hr/>

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

	2022	2021
	£	£
Accruals	28,300	18,940
	<hr/>	<hr/>
	28,300	18,940
	<hr/>	<hr/>

Manx Credit Union Limited

Notes to the Financial Statements for the year ended 30 September 2022

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.

	2022		2021	Average Rate
	Amount	Average rate	Amount	
	£	%	£	%
Financial assets				
Loans to members	527,252	12.60	412,070	13.57
- gross				

Manx Credit Union Limited

Impairment losses	(73,453)	(44,404)
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Loans to members - net	453,799	367,666
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Financial liabilities

Subscribed capital	993,957	853,409
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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.

Notes to the Financial Statements for the year ended 30 September 2022

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

	2022	2021
	£	£
One month term	-	-
95 day notice	573,859	260,519
Six month term	-	3
Twelve month term	-	-
Total	685,218	577,942

16 Deferred shares

	2022	2021
	£	£
<i>As at 1 October 2021</i>	33,916	33,916
Received during the year	500	-

Manx Credit Union Limited

Cash and bank deposits	111,359	317,420
Withdrawn during the year	-	-
	<hr/>	<hr/>
<i>As at 30 September 2022</i>	34,416	33,916
	<hr/>	<hr/>

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.

Notes to the Financial Statements

for the year ended 30 September 2022

19 Related party transactions

During the year, five members (2021, 6 members) of either the Board, staff and their close family members had loans with MCU granted for £10,682 (2021:£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 (2021:£16,175).

20 Subsequent Event

The Board is considering proposing a dividend of £18,000 2% (2021: £8,127:1%) which will be confirmed at the AGM.

Manx Credit Union Limited

Credit Committee Report for the year ended 30 September 2022

The Credit Committee was established by the Board of the Manx Credit Union to monitor the credit union's loan business. They meet 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 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 week 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 as per Note 11b to the accounts. The Bad Debt Provision stands at 13.7% of total loans (2021 10.8%) requiring constant vigilance in monitoring loan accounts whilst dealing sympathetically with the pressures on members household budgets.

During the year the Credit Committee agreed on 528 loans (2021:394) with a total value of £430,123 (2021: £316,399), the average loan being £815 (2021: £803). The impact on the relative changes can be accounted for in the main by the introduction of the Family Savings & Loan product as the table that follows will illustrate. The Family Loan allows a member to borrow up to £500, the repayments coming from state benefits deducted at source. The repayments include a mandatory savings of £1 weekly.

We have received a number of heart-warming stories of how affordable loans have made a significant difference to members lives. 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	2021			
	Quantity	£	Quantity	£
Family Loan & Savings	294	113,451	161	64,530
Basic	187	324,179	125	248,568
Loyalty Savers	14	54,997	15	49,327
Save as you Borrow	19	24,113	23	36,373
Starter	10	4,708	12	3,241
Premier	5	5,804	4	10,387
Totals	529	527,252	340	412,246

