

Manx Credit Union Limited  
Annual Report and Financial statements  
30th September 2021



# Manx Credit Union Limited

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# **Manx Credit Union Limited**

## **Administrative information**

### **Directors**

David Talbot (Chairman)

Ian Yates (Secretary)

Wendy Shimmin

Paul Blake (Vice Chairman)

David Allwood (Treasurer)

Andrew Dunlop

Joyce Hatton (From 18.12.20)

### **Secretary**

Ian Yates

### **Registration Number**

No. 000001U - The Credit Unions Act 1993

### **Registered Office**

Nadine House

13 North Quay

Douglas

IM1 4LE

### **Contact Details**

Tel: (01624) 619459

Email: [info@mcu.im](mailto:info@mcu.im)

Website: [www.mcu.im](http://www.mcu.im)

### **Auditors**

Naylor Wintersgill Limited

Carlton House

Grammar School Street

Bradford

BD1 4NS

### **Bankers**

Lloyds Bank International

Victory House

Prospect Hill

Douglas

IM99 1AH

# **Manx Credit Union Limited**

## **Board of Management Report**

*for the year ended 30 September 2021*

### Introduction

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

As in the previous reporting year, it is an understatement to say that the calendar year 2021 has been a very challenging year globally because of the ongoing COVID-19 pandemic. In accordance with Isle of Man Government guidelines, we closed the office to members and visitors alike during the periods 7 January to 31 January 2021 and then 3 March to 18 April 2021, but during those periods we kept the business operating by the use of laptops, online bank transactions and email at various volunteers' homes throughout the Island. We received much positive feedback from members about the continuity of service that was provided during the lockdown periods.

### 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.)*

The Isle of Man Financial Services Authority carried out its first formal review of the MCU on 24 November 2021: although this review occurred after the end of the period covered by this report we are delighted to inform members that no adverse issues arose.

### 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.

## **Manx Credit Union Limited**

### **Board of Management Report**

*for the year ended 30 September 2021 (continued)*

#### **Members**

As at 30 September 2021, the MCU had 921 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 677 members so another 244 during 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.

#### **Dividend**

Notwithstanding the challenges as discussed above, 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 where possible a return on their savings. Taking these points together, your Board will be proposing at the AGM a dividend of 1.0% (the 2019-20 dividend was 1.0%) based on the average members savings during the financial year to 30 September 2021.

#### **Complaints and disputes**

No complaints were made to, or disputes raised with, MCU in the period to 30 September 2021.

#### **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;
- CIDS for providing a free credit reference service;
- the Manx Credit Union Trust who provide the guarantee for our members' savings.



## **Manx Credit Union Limited**

### **Board of Management Report**

*for the year ended 30 September 2021 (continued)*

#### **New initiatives introduced during the reporting period**

Three new products and services have been introduced:

- the "Family Loan & Saving Scheme" whereby a £500 loan is repaid at £12.50 a week from deductions from a state benefit at source through an arrangement with the Department of Social Care (see the Credit Committee report for further information); £11.50 a week goes to repay the loan and £1 a week goes to savings;
- an "Engage" Visa debit card (issued by Contis Financial Services Ltd) is available for members which, for a small monthly cost of £2, might be of particular benefit to those members who do not have a bank account as it comes with a Sort Code and Account Number, and can be used to make purchases, withdrawals at an ATM and to receive benefit and salary payments, and;
- additional savings accounts can be introduced within a member's existing share account, as required, to help members to budget and save for specific items such as holidays, Christmas or children. These new facilities will provide members with a means for budgeting for specific items and may, in time, encourage less reliance on borrowing. Savings held in these additional accounts are not held as security against a loan (if applicable) and are therefore accessible for withdrawals.

#### **Challenges and events for the next year**

Various projects such as child accounts and payroll deductions were again put on hold because the office was closed for several months because of the COVID-19 pandemic, where the priority was to keep the essential and existing areas of the business operating.

A mobile banking app will be introduced subject to successful testing in accordance with its functionality specification. This will provide members with the ability to access their account details online and will reduce the need for members to contact the office to attain this information. Two years' licence fees for the app will be met from a grant of £9,120.00 awarded by the Manx Lottery Trust.

A continuing issue is that the MCU has too much cash at bank and not enough out on loan: this is a common issue with many credit unions in UK and is perhaps reflective of economic uncertainties during these difficult times. To deal with this we introduced a Savings Policy with a £250 limit to the maximum that can be saved each month as from 24 September 2020: the Savings Policy was reviewed by the Board on 10 August 2021 and it was agreed to retain the £250 monthly maximum for the time being.

## **Manx Credit Union Limited**

### **Board of Management Report**

*for the year ended 30 September 2021 (continued)*

The continual growth of the MCU's membership is good news but it also means that the office at Nadine House is becoming rather cramped, both for physical space for paperwork and to accommodate interviews with members seeking loans. Also, the ownership of Nadine House has transferred to a new owner and the MCU's lease will not be renewed after 31 December 2022. We have arranged a 10-year lease (renewable after 5 years) for new office premises at Ragnall House, Peel Road, Douglas as from 1 July 2022 and we hope to have the new office up and running by the end of July 2022.

#### **Auditor**

During the year Browne Craine Associates Limited resigned as auditor and Naylor Wintersgill Limited were appointed, a resolution proposing that Naylor Wintersgill Limited be reappointed will be put at a General Meeting.

#### **Disclosure of information to auditor**

Each of the Directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

Signed on behalf of the Board of Management



Ian Yates  
Company Secretary

16<sup>th</sup> May 2022

## **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 2021 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 2021 and of its income and expenditure for the year ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Credit Unions Act 1993.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

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



## **Manx Credit Union Limited**

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

#### **Other information**

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

We have nothing to report in this regard

#### **Opinions on other matters prescribed by the Credit Unions Act 1993**

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

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

#### **Matters on which we are required to report by exception**

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

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

#### **Responsibilities of the Board**

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

## **Manx Credit Union Limited**

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

#### **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.

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.

**Manx Credit Union Limited**

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

**Use of this report**

This report is made solely to the Credit Union's members, as a body, in accordance with the Credit Unions Act 1993. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Alison Whalley (Senior Statutory Auditor)  
For and on behalf of Naylor Wintersgill Limited  
Chartered Accountants and Statutory Auditors**

**Date 16<sup>th</sup> May 2022**

Carlton House  
Grammar School Street  
Bradford  
BD1 4NS



## Manx Credit Union Limited

### Revenue Account

for the year ended 30 September 2021

|   | Note | 2021<br>£       | 2020<br>£       |
|---|------|-----------------|-----------------|
| Loan Interest receivable and similar income     | 4    | 69,571          | 53,528          |
| Less Dividend Paid                              | 5    | (6,792)         | (2,745)         |
| <b>Net interest income</b>                      |      | <b>62,779</b>   | <b>50,783</b>   |
| Fees and commissions receivable                 | 6    | 1,297           | 2,267           |
| Bank Charges                                    |      | (1,339)         | (1,262)         |
| <b>Net Fees and commissions receivable</b>      |      | <b>(42)</b>     | <b>1,005</b>    |
| Other Income                                    | 7    | 5,084           | 9,313           |
| Administrative expenses                         | 8a   | (16,634)        | (11,701)        |
| Promotion                                       | 8b   | (1,797)         | (1,879)         |
| Other Operating Expenses                        | 8c   | (10,067)        | (9,712)         |
| Depreciation and amortisation                   |      | -               | (3,636)         |
| Impairment losses on loans to members           |      | (20,169)        | (12,941)        |
|   |      | <b>(43,583)</b> | <b>(30,556)</b> |
| <b>Surplus/(Deficit) before taxation</b>        |      | <b>19,154</b>   | <b>21,232</b>   |
| Taxation  | 10   | -               | -               |
| <b>Surplus/(Deficit) for the financial year</b> |      | <b>19,154</b>   | <b>21,232</b>   |
| other comprehensive income                      |      | -               | -               |
| <b>Total comprehensive income</b>               |      | <b>19,154</b>   | <b>21,232</b>   |



## Manx Credit Union Limited

### Balance Sheet

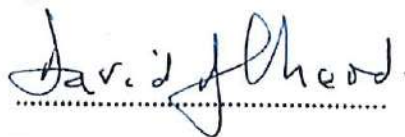
as at 30 September 2021

|  | Note | 2021<br>£      | 2020<br>£      |
|--|------|----------------|----------------|
| <b>ASSETS</b>                              |      |                |                |
| Cash, cash equivalents and liquid deposits | 15   | 577,939        | 520,577        |
| Loans to members                           | 11   | 367,666        | 282,856        |
| Prepayments and accrued income             |      | 22,464         | 15,540         |
| <b>Total Assets</b>                        |      | <b>968,069</b> | <b>818,973</b> |
| <b>LIABILITIES</b>                         |      |                |                |
| Subscribed capital - repayable on demand   | 12   | 853,409        | 723,951        |
| Deferred shares                            | 16   | 33,916         | 33,916         |
| Other payables                             | 13   | 18,940         | 18,456         |
| Retained earnings                          |      | 61,804         | 42,650         |
| <b>Total Liabilities</b>                   |      | <b>968,069</b> | <b>818,973</b> |

The financial statements were approved and authorised for issue by the Board on 16<sup>th</sup> May 2022 and signed on its behalf by:



Ian Yates  
Director



David Allwood  
Director

**Manx Credit Union Limited**

**Statement of Changes in Equity**

*for the year ended 30 September 2021*

|                                  | <b>General<br/>Reserves<br/>£</b> | <b>Restricted<br/>Reserves<br/>£</b> | <b>Total<br/>Reserves<br/>£</b> |
|----------------------------------|-----------------------------------|--------------------------------------|---------------------------------|
| as at 30 September 2019          | 16,412                            | 5,006                                | 21,418                          |
| Surplus/(deficit) for the period | 22,723                            | (1,491)                              | 21,232                          |
| as at 30 September 2020          | 39,135                            | 3,515                                | 42,650                          |
| Surplus/(deficit) for the period | 20,034                            | (880)                                | 19,154                          |
| as at 30 September 2021          | 59,169                            | 2,635                                | 61,804                          |

## Manx Credit Union Limited

### Cash Flow Statement

for the year ended 30 September 2021

|  | Note | 2021<br>£      | 2020<br>£      |
|--|------|----------------|----------------|
| <b>Cash flows from operating activities</b>                        |      |                |                |
| Surplus before taxation  |      | 19,156         | 21,232         |
| Adjustments for non - cash items:                                  |      |                |                |
| Depreciation & amortisation  |      | -              | 3,636          |
| Impairment losses  | 11c  | 17,161         | 12,941         |
|  |      | <hr/>          | <hr/>          |
|  |      | 36,317         | 37,809         |
| Movements in:  |      |                |                |
| Accrued interest   |      | 3,112          | 1,088          |
| Prepayments and accrued income                                     |      | (6,926)        | (14,416)       |
| Other payables   |      | 484            | 16,656         |
|  |      | <hr/>          | <hr/>          |
|  |      | (3,330)        | 3,328          |
| <b>Cash flows from changes in operating assets and liabilities</b> |      |                |                |
| Deferred shares  | 16   | -              | 33,916         |
| Cash inflow from subscribed capital                                | 12   | 370,313        | 362,380        |
| Cash outflow from repaid capital                                   | 12   | (240,855)      | (295,473)      |
| Loans to members   | 11a  | (316,399)      | (188,976)      |
| Repayment of loans by members                                      | 11a  | 211,316        | 218,052        |
|  |      | <hr/>          | <hr/>          |
| <b>Net cash flows from operating activities</b>                    |      | <b>24,375</b>  | <b>129,899</b> |
| <b>Cash flow from investing activities</b>                         |      |                |                |
| Purchase of tangible assets  |      | -              | -              |
|  |      | <hr/>          | <hr/>          |
| <b>Net increase in cash and cash equivalents</b>                   |      | <b>57,362</b>  | <b>171,036</b> |
| Cash and cash equivalents at beginning of year                     |      | 520,577        | 349,541        |
|  |      | <hr/>          | <hr/>          |
| <b>Cash and cash equivalents at end of year</b>                    |      | <b>577,939</b> | <b>520,577</b> |
|  |      | <hr/>          | <hr/>          |

## **Manx Credit Union Limited**

### **Notes to the Financial Statements**

*for the year ended 30 September 2021*

#### **1 Legal and regulatory framework**

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

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

#### **2 Accounting Policies**

##### ***Basis of preparation***

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

##### ***Going Concern***

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

##### ***Income***

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

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



## **Manx Credit Union Limited**

### **Notes to the Financial Statements**

*for the year ended 30 September 2021*

#### **2 Accounting Policies (Cont.)**

##### ***Financial assets - loans and advances to members***

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

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

##### ***Financial liabilities - subscribed capital***

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

##### ***Donations***

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

##### ***Reserves***

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

## Manx Credit Union Limited

### Notes to the Financial Statements

for the year ended 30 September 2021

#### 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

|  | 2021   | 2020   |
|--|--------|--------|
|  | £      | £      |
| Loan interest receivable from members                | 68,841 | 51,793 |
| Bank interest receivable on cash and liquid deposits | 730    | 1,735  |
|  | <hr/>  | <hr/>  |
|  | 69,571 | 53,528 |
|  | <hr/>  | <hr/>  |

#### 5 Interest Expense

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

|               | 2021  | 2020  |
|---------------|-------|-------|
|               | £     | £     |
| Dividend paid | 6,792 | 2,745 |
|               | <hr/> | <hr/> |

**Manx Credit Union Limited**

**Notes to the Financial Statements**

for the year ended 30 September 2021

**6 Fees and commissions receivable**

|                            | 2021  | 2020  |
|----------------------------|-------|-------|
|                            | £     | £     |
| Entrance Fees              | 1,297 | 184   |
| Annual administrative fees | -     | 2,083 |
|                            | <hr/> | <hr/> |
|                            | 1,297 | 2,267 |
|                            | <hr/> | <hr/> |

It was agreed at the last AGM that fees payable by members should be amended from 1/10/20 providing revenues justified this. This being the case the Board implemented the decision to abolish the Annual Membership Fee but to increase to £5 the one-off Entrance Fee.

| <b>Number of Members</b> | 2021 | 2020 |
|--------------------------|------|------|
| Number of members        | 921  | 677  |

| <b>7 Other Income</b>                                 | 2021  | 2020  |
|---|-------|-------|
|   | £     | £     |
| <i>Donations received during the year to cover:</i>   |       |       |
| Audit Costs   | -     | 3,360 |
| Training - UKCU Trade Association                     | -     | -     |
| Bank Charges - Lloyds Bank International Ltd.         | 1,291 | 1,213 |
| Credit check fees - Channel Islands Debt Services     | 433   | 470   |
| Annual property licence fee - Nadine Charitable Trust | -     | -     |
| Promotion - Manx lottery trust                        | 380   | -     |
| Development Costs - Sundry donations                  | 100   | 3,310 |
| Software  | 2,880 | 960   |
|   | <hr/> | <hr/> |
|   | 5,084 | 9,313 |
|   | <hr/> | <hr/> |

**8 Expenses**

|                             |          | 2021   | 2020   |
|-----------------------------|----------|--------|--------|
|                             |          | £      | £      |
| Administrative expenses     | Note 8a. | 16,634 | 11,701 |
| Promotion                   | 8b.      | 1,797  | 1,879  |
| Other operating expenses    | 8c.      | 10,067 | 9,712  |
| Depreciation & amortisation |          | -      | 3,636  |
|                             |          | <hr/>  | <hr/>  |
|                             |          | 28,498 | 26,928 |
|                             |          | <hr/>  | <hr/>  |

## Manx Credit Union Limited

### Notes to the Financial Statements

for the year ended 30 September 2021

#### 8a. Administrative expenses

|                                | Note | 2021<br>£ | 2020<br>£ |
|--------------------------------|------|-----------|-----------|
| Audit*                         |      | 5,400     | 5,400     |
| Staff Training and Welfare*    |      | -         | -         |
| Credit Check Fees*             |      | 432       | 470       |
| Legal & Professional           |      | 498       | 687       |
| Telephone                      |      | 571       | 521       |
| Printing, Stationery & Postage |      | 2,300     | 1,681     |
| Insurance                      |      | 1,293     | 1,022     |
| Software*                      |      | 6,140     | 1,920     |
|                                |      | <hr/>     | <hr/>     |
|                                |      | 28,498    | 26,928    |

\* 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 | 2021<br>£ | 2020<br>£ |
|--|------|-----------|-----------|
| Website                                      |      | 617       | 414       |
| On-line applications for membership and loan |      | 300       | 300       |
| Other Promotional activity                   |      | 880       | 1,165     |
|  |      | <hr/>     | <hr/>     |
|  |      | 1,797     | 1,879     |

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 | 2021<br>£ | 2020<br>£ |
|--|------|-----------|-----------|
| Cost of occupying an office (excluding depreciation) |      | £         | £         |
| License agreement for fully serviced office          | 19   | 5,925     | 4,913     |
| Security   |      | 240       | 294       |
|  |      | <hr/>     | <hr/>     |
|  |      | 6,165     | 5,207     |
| Regulatory and financial management costs            |      |           |           |
| Trade association fees                               |      | 1,321     | 1,321     |
| Fidelity Insurance                                   |      | 1,185     | 991       |
| Death Benefit - Members Loans                        |      | 1,396     | 2,193     |
|  |      | <hr/>     | <hr/>     |
|  |      | 3,902     | 4,505     |
|  |      | <hr/>     | <hr/>     |
|  |      | 10,067    | 9,712     |



## **Manx Credit Union Limited**

### **Notes to the Financial Statements**

*for the year ended 30 September 2021*

#### **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 2021

#### 11. Loans to members - financial assets

##### 11a. Loans advanced to members

|  | 2021      | 2020      |
|--|-----------|-----------|
|  | £         | £         |
| Total loan assets at 1 October 2020    | 282,856   | 325,961   |
| Loans advanced during the year         | 316,399   | 188,976   |
| Repaid during the year                 | (214,428) | (219,140) |
| Impairment losses                      | (17,161)  | (12,941)  |
|  | <hr/>     | <hr/>     |
| Total loan assets at 30 September 2021 | 367,366   | 282,856   |

|   |     |       |
|---|-----|-------|
| Number of Loans in operation                    | 340 | 153   |
| The average borrowed by members during the year | 803 | 1,443 |

##### 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 2021 is £310,099 with a total of £74,673 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.

|                                  | 2021    |            | 2020    |            |
|----------------------------------|---------|------------|---------|------------|
|                                  | Amount  | Proportion | Amount  | Proportion |
|                                  | £       | %          | £       | %          |
| <b>Not Impaired:</b>             |         |            |         |            |
| Not yet past due                 | 309,044 | 85.15%     | 248,663 | 86.76%     |
| Up to 3 months past due          | 53,964  | 14.85%     | 37,946  | 13.24%     |
| Between 3 and 6 months past due  | -       | -          | -       | -          |
| Between 6 and 9 months past due  | -       | -          | -       | -          |
| Between 9 and 12 months past due | -       | -          | -       | -          |
| Over one year past due           | -       | -          | -       | -          |
|                                  | <hr/>   |            | <hr/>   |            |
| <b>Loans not impaired</b>        | 363,008 | 100.00%    | 286,609 | 100.00%    |

**Manx Credit Union Limited**

**Notes to the Financial Statements**

for the year ended 30 September 2021

**11b. Credit risk disclosures (cont.)**

|                                      | 2021            |             | 2020            |             |
|--------------------------------------|-----------------|-------------|-----------------|-------------|
|                                      | Amount          | Proportion  | Amount          | Proportion  |
|                                      | £               | %           | £               | %           |
| <b>Individually impaired:</b>        |                 |             |                 |             |
| Not yet past due, but impaired       | -               | -           | -               | -           |
| Up to 3 months past due              | -               | -           | -               | -           |
| Between 3 and 6 months past due      | 12,879          | 26.41%      | 4,671           | 19.89%      |
| Between 6 and 9 months past due      | 10,481          | 21.49%      | 4,016           | 17.10%      |
| Between 9 and 12 months past due     | 7,145           | 14.65%      | 1,503           | 6.40%       |
| Over one year past due               | 8,257           | 37.44%      | 13,300          | 56.62%      |
| <b>Specifically impaired loans</b>   | <b>48,762</b>   | <b>100%</b> | <b>23,490</b>   | <b>100%</b> |
| <b>Total loans</b>                   | <b>411,770</b>  | <b>100%</b> | <b>310,099</b>  | <b>100%</b> |
| <b>Specific impairment allowance</b> | <b>(33,202)</b> |             | <b>(18,412)</b> |             |
| <b>Additional General Allowance</b>  | <b>(11,202)</b> |             | <b>( 8,831)</b> |             |
|                                      | <b>(44,404)</b> |             | <b>(27,243)</b> |             |
| <b>Total carrying value of loans</b> | <b>367,366</b>  |             | <b>282,856</b>  |             |

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

**11c. Allowance account for impairment losses**

|   | 2021          | 2020          |
|---|---------------|---------------|
|   | £             | £             |
| As at 1 October 2020                      | 27,243        | 14,302        |
| Increase in allowance losses for the year | 17,161        | 12,941        |
| As at 30 September 2021                   | <b>44,404</b> | <b>27,243</b> |

**Manx Credit Union Limited**

**Notes to the Financial Statements**

*for the year ended 30 September 2021*

**12. Subscribed capital - financial liabilities**

|                                | <b>2021</b>    | <b>2020</b>    |
|--------------------------------|----------------|----------------|
|                                | £              | £              |
| <b>As at 1 October 2020</b>    | <b>723,591</b> | <b>657,044</b> |
| Received during the year       | 370,313        | 362,380        |
| Withdrawn during the year      | (240,855)      | (295,473)      |
| <b>As at 30 September 2021</b> | <b>853,409</b> | <b>723,951</b> |

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**

|   | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
|   | £             | £             |
| Creditors - Caroma license fees due 31/5/21 | -             | 8,640         |
| Accruals                                    | 18,940        | 9,816         |
|   | <b>18,940</b> | <b>18,456</b> |



## Manx Credit Union Limited

### Notes to the Financial Statements

for the year ended 30 September 2021

#### 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.

|                              | 2021     |              | 2020     |              |
|------------------------------|----------|--------------|----------|--------------|
|                              | Amount   | Average rate | Amount   | Average Rate |
|                              | £        | %            | £        | %            |
| <b>Financial assets</b>      |          |              |          |              |
| Loans to members - gross     | 412,070  | 13.57        | 310,099  | 12.60        |
| Impairment losses            | (44,404) |              | (27,243) |              |
| Loans to members - net       | 367,666  |              | 282,856  |              |
| <b>Financial liabilities</b> |          |              |          |              |
| Subscribed capital           | 853,499  |              | 723,591  |              |

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

## Manx Credit Union Limited

### Notes to the Financial Statements

for the year ended 30 September 2021

#### 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

|                        | 2021           | 2020           |
|------------------------|----------------|----------------|
|                        | £              | £              |
| Cash and bank deposits | 317,420        | 167,743        |
| One month term         | -              | -              |
| 95 day notice          | 265,519        | 180,038        |
| Six month term         | -              | 75,775         |
| Twelve month term      | -              | 100,021        |
| Total                  | <u>577,939</u> | <u>520,577</u> |

#### 16 Deferred shares

|                           | 2021          | 2020          |
|---------------------------|---------------|---------------|
|                           | £             | £             |
| As at 1 October 2020      | 33,916        | 33,916        |
| Received during the year  | -             | -             |
| Withdrawn during the year | -             | -             |
| As at 30 September 2021   | <u>33,916</u> | <u>33,916</u> |

#### 17 Post balance sheet events

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

#### 18 Contingent liabilities

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

## **Manx Credit Union Limited**

### **Notes to the Financial Statements**

*for the year ended 30 September 2021*

#### **19 Related party transactions**

During the year, six members (2020, 3 members) of either the Board, staff and their close family members had loans with MCU granted for £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 £16,715.

The licence agreement for use of the ground floor at Nadine House, which covers the period to 31st December 2021, is with a company controlled by a director of MCU. The Nadine Charitable Trust, for whom the same director is a settlor, had donated funds to cover the cost of the license agreement up to the 31st of December 2018.

#### **20 Subsequent Event**

The Board is considering proposing a dividend of £9,859 1% (2020: 1%) which will be confirmed at the AGM.



## Manx Credit Union Limited

### Credit Committee Report

*for the year ended 30 September 2021*

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.

During the COVID-19 lockdown period, we helped our members by keeping the meetings active on Zoom and allowing customers who needed payment holidays to make their requests known. This enabled the Loans Officers to present the loan applications provided by the members and to deal sympathetically with members who had suffered a reduction in income because of the restrictions our government expected from Island residents.

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.

At the year-end, 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 and the uncertainty, the COVID-19 pandemic has created a further general reserve this year as per Note 12b in the accounts.

During the year the Credit Committee agreed on 394 loans with a total value of £316,399, the average loan being £803. This compared to 2020 where there were 131 loans with a total value of £188,976 the average loan being £1,443. The impact on the relative changes can be accounted for in the main by the introduction of the Family Loan 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 mandatory savings of £1 weekly.

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       |                | 2020       |                |
|--------------------|------------|----------------|------------|----------------|
|                    | Quantity   | £              | Quantity   | £              |
| Basic              | 125        | 248,093        | 106        | 240,445        |
| Loyalty Savers     | 15         | 49,327         | 14         | 45,578         |
| Save as you Borrow | 23         | 36,373         | 22         | 20,344         |
| Starter            | 12         | 3,240          | 11         | 3,731          |
| Premier            | 4          | 10,387         | -          | -              |
| Family             | 161        | 64,350         |            |                |
| <b>Totals</b>      | <b>340</b> | <b>411,770</b> | <b>153</b> | <b>310,098</b> |
|                    |            |                |            |                |