Manx Financial Group

Consolidated
Annual Financial Statements
2023

Putting people first

Integrity through independence and service

Contents

2023: The year at a glance

Remaining focused on investing in resilient profitable sectors with high potential for growth MFG PLC reported a record performance in 2023, while making significant strides on its strategic journey, including obtaining a UK deposit taking licence.

Financial highlights

		2023	2022
Profit before tax	+35.2%	£7.0m	£5.2m
Balance sheet growth	+26.7%	£480.7m	£379.3m
Advances	+52.3%	£352.5m	£231.4m
Basic EPS (pence)	+21.8%	4.59p	3.77p
Cost income ratio	(11.6)%	43.3%	54.9%
Return on equity	+1.9%	20.6%	18.7%

Non-financial highlights

Professional Pathway Programme

The Professional Pathway programme demonstrates our commitment to diversity and professional growth, fostering an inclusive environment. This two-year program offers an immersive experience in critical business projects, professional studies, and mentorship by senior management. Through this programme, we affirm our commitment to not just career advancement but to creating a more inclusive environment where every talent is recognised and celebrated.

Acquisition of UK deposit-taking licence

The authorisation from the Prudential Regulation Authority (PRA) for Conister Bank's UK branch to accept deposits underscores both a major achievement in our strategic development and the trust placed in us by our main regulatory body and UK authorities. This milestone in our Group's journey not only validates our expansion strategy but also enhances Conister's liquidity through access to UK deposits.

Migration on IT infrastructure to Azure

The Group has migrated its infrastructure to a Microsoft Azure environment as part of its first step towards implementing its Digital Transformation plan. Not only does this provide the Group with better connectivity options with third party solutions and application programming interfaces, it also enhances the Group's security environment and allows for greater scale and flexibility for computing resources as the Group expands in the years ahead.

Who we are

An independent banking and financial services group founded in 1935, domiciled in the Isle of Man.

Manx Financial Group

Manx Financial Group PLC ("Company" or "MFG") is an AIM-listed company (LSE: MFX.L) which has subsidiaries (together referred to as "Group") offering a suite of financial services to retail and commercial customers, both in the Isle of Man and the UK. MFG's strategy is to combine organic growth with strategic acquisition to further augment the range of services it offers and to gain greater market share in its preferred markets.

The Group's main subsidiaries are:

- Conister Bank Limited
- Conister Finance & Leasing Ltd
- MFX Limited
- Payment Assist Limited
- Blue Star Business Solutions Limited
- Edgewater Associates Limited
- Ninkasi Rentals & Finance Limited
- The Business Lending Exchange Limited

Our Main Operating Subsidiaries

Conister Bank

Conister Bank Limited ("Bank") is a licenced independent bank, regulated by the Isle of Man Financial Services Authority ("FSA") and the UK's Prudential Regulatory Authority ("PRA") and the UK's Financial Conduct Authority ("FCA").

The Bank provides a variety of financial products and services, including savings accounts, asset financing, personal loans, loans to small and medium sized enterprises, block discounting and other specialist secured credit facilities to the Isle of Man and the UK consumer and business sectors.

Conister

Conister Finance & Leasing Ltd ("CFL") is a subsidiary of the Bank. It is a credit broker providing hire purchase ("HP") and leasing finance facilities in the UK.

CFL is regulated by the FCA in the UK and registered as a designated business by the FSA in the Isle of Man.

Who we are
continued

MFX

MFX Limited ("MFX") provides access to competitive foreign exchange and international payment processing facilities.

MFX's target customers are corporates and private clients who have a foreign exchange and international payment requirement via their UK foreign exchange providers.

bluestar leasing

Blue Star Business Solutions Limited ("BBSL") is a finance broker providing asset finance and commercial loans in the UK to the small and medium sized enterprises market.

BBSL was acquired as part of the Group's strategy to increase its distribution in the UK broker credit market.

Edgewater

Edgewater Associates Limited ("EAL") is the largest firm of Independent Financial Advisors ("IFA") in the Isle of Man and is regulated by the FSA.

EAL provides a bespoke and personal service to Isle of Man residents and to the Group's business and personal customers and advises on assets in excess of £328 million (2022: £319 million).

paymentassist

Payment Assist Limited ("PAL") is the UK's leading automotive repair point-of-sale finance provider and offers diversified lending including insured products and retail.

PAL was acquired as part of the Group's strategy to increase its access to underserved UK credit markets.

NINKASI RENTALS & FINANCE

Ninkasi Rentals & Finance Limited ("NRFL") was acquired as part of the Group's strategy to increase its access to underserved UK credit markets.

NRFL provides equipment finance and rental products to UK based craft and micro-breweries.

blx. Changing the face of business lending

The Business Lending Exchange Limited ("BLX") was acquired as part of the Group's strategy to increase its access to underserved UK credit markets.

BLX is regulated by the FCA in the UK and primarily lends to start-up companies and small businesses which require asset backed finance.

Chairman's Statement

"I am pleased to report another set of record results with a 35.0% increase in Profit Before Tax to £7.0 million"

Jim Mellon
Executive Chairman

Dear Shareholders

Introduction

With the continuing conflicts in Ukraine and Palestine, together with rising energy costs and the disruption in the Red Sea to world supply chains, the global economy remained inflationary and fragile. Our home markets in the Isle of Man and UK were not immune to these factors. Indeed, the Bank of England continued to grapple with stubbornly high inflation throughout the year and, as a consequence, approved five interest rate increases as part of their strategy to bring inflation back into their target range of less than 2%. The higher than targeted inflation rate was not offset by a corresponding increase in wages which has put many families and businesses under a real cost of living crisis.

Despite this negative backdrop, thus far the Group has not experienced a corresponding increase in arrears. This reflects positively on the integrity of our underwriting, the products we offer, and the markets we continue to serve.

Our financial performance for the year also reflects this resilience and I am pleased to report another set of record results with a 35.0% increase in Profit Before Tax to £7.0 million (2022: £5.2 million), with our basic Earnings Per Share increasing to 4.59p (2022: 3.77p) – an improvement of 21.8%. At the Profit After Tax payable level of £6.1 million (2022: £4.7 million), £5.3 million (2022: £4.3 million) was due to the Group's shareholders, and £0.9 million (2022: £0.3 million) was due to minority interests. This improvement was due to a number of factors including operating income growth – augmented with a full year's impact from Payment Assist Limited, a gain in debt securities and a lower charge for provisioning and impairments.

Our financial performance also strengthened our balance sheet with total assets increasing by £101.4 million to £480.7 million (2022: £379.3 million), and our shareholder equity increased by £6.2 million to £36.0 million (2022: £29.8 million). This outcome allows the Board to recommend continuing our policy of returning 10% of the Group's profit available to shareholders in the form of cash and/or shares. This year the total dividend available for payment is £0.53 million (2022: £0.43 million). Thus, the amount recommended for shareholder approval at our Annual General Meeting will be 0.4551 pence per share (2022: 0.3764 pence per share) - a 20.9% uplift.

On a separate note, I appreciate there has been a lot of media comment surrounding the FCA announcement that they are reviewing whether customers have lost out as a result of variable commission arrangements on lending to the motor finance sector. The outcome and potential impact of the FCA's review will not be known until they report their findings, expected to be sometime later this year. Despite having some exposure in this area, our initial review suggests that any liability will be minimal with no present need for any provision. Notwithstanding, the Board recognises the requirement to plan for a range of possible outcomes but currently it does not expect the issue to materially impact the Group's results, if at all.

Financial Performance

This year's financial performance is again a record despite the previously mentioned economic headwinds impacting on both of our trading locations.

Chairman's Statement
continued

For the third year running, Conister Bank Limited ("Conister") set a new lending record of £352.5 million (2022: £231.4 million), an increase of 52.3%. With increases in the cost of deposits reflecting the five increases in the UK interest rate, our cost of funds was negatively impacted with yield compression of 12.7% to 71.3% (2022: 84.0%) in the year. Nevertheless, our net interest income increased substantially by £8.0 million to £32.4 million (2022: £24.4 million).

With other operating subsidiaries again making a positive contribution, notably Conister Finance & Leasing Ltd, Payment Assist Limited and MFX Limited, this resulted in operating income increasing by £5.4 million to £31.5 million (2022: 26.1 million). Operating income has now increased by 57.0% over the last two years.

Operating expenses, excluding provisions, increased by £3.4 million to £20.3 million (2022: £16.9 million), reflecting the full cost of consolidating Payment Assist Limited into the Group along with an incremental increase in overheads relating to obtaining our UK Branch deposit taking licence. Provisions increased by £0.1 million to £4.1 million (2022: £4.0 million).

Turning to the Group's balance sheet, total assets increased by £101.1 million to £480.7 million (2022: £379.3 million). This was driven by a £71.2 million increase in the net loan book and a £35.5 million increase in Treasury Bills to support regulatory liquidity requirements. Isle of Man deposits grew by £86.2 million to £390.4 million (2022: £304.2 million). Total liabilities stood at £444.7 million (2022: 349.5 million), leading to an increase in equity of £6.2 million to £36.0 million (2022: £29.8 million). The debt to asset ratio, measured as being total debt as a percentage of total tangible assets, remains robust at 95.5% (2022: 95.5%) meaning liabilities are covered by assets 1.1 times (2022: 1.1 times).

Key Objectives

After a period of economic uncertainty, I am cautiously optimistic that over the next 24 months we will move to a more normalised interest and inflation rate environment. Until we get to that position, our key objective will continue to be to increase shareholder value as prudently as possible. Thus, our strategic focus remains unchanged, namely to:

- Provide the highest quality of service throughout our operations to all customers, ensuring that their treatment is both fair and appropriate
- Continue adopting a pro-active strategy to managing risk, including climate risk, within a structured and compliant manner
- Concentrate on developing our core business by considered acquisitions, increasing prudential lending, and augmenting the range of financial services we offer
- Prudently progress the implementation of an enhanced and scalable IT infrastructure to better service the operational requirements of a growing Group without the requirement for a disproportionate increase in headcount and other associated operational costs
- Continue to develop our Treasury management to improve the return on the liability side of our balance sheet; and
- Manage our balance sheet to exceed the regulatory requirements for capital adequacy

To continue to grow shareholder value, we will need to grow the balance sheet as our scale is still sub-optimal. With organic growth this year partially dependent upon an improved economic environment, we need to re-focus our non-dilutive acquisition strategy. Further details are included under "Business Model and Strategy" on page 8.

Environmental, Social and Corporate Governance

The Group takes social responsibility seriously and remains committed to reducing its impact on the environment, and to making a positive contribution to the communities in which we live and work.

Our Environmental, Social, and Governance ("ESG") initiatives, are integral to our commitment to sustainable development and corporate responsibility. This year, more than ever, we have witnessed the importance of resilience and adaptability, and our ESG policy has been at the heart of our strategy to navigate these challenges. We have made significant strides in embedding our ESG principles across all levels of operations. Our commitment to a whole business approach, focusing on what matters, applying best practices, using our influence responsibly, and ensuring accountability, has driven meaningful progress towards our sustainability goals.

In particular, our efforts towards better understanding our carbon footprint, enhancing product development for sustainability, and embedding diversity, equity, and inclusion into our corporate culture have been noteworthy. We are also proud of the progress made in upskilling our workforce on ESG matters and integrating these principles. The financial results for this period reflect not only our economic resilience but also our commitment to social and environmental

Chairman's Statement
continued

responsibility. Our financial performance, while robust, is just one aspect of our success. The true measure of our achievements lies in our positive impact on society and the environment, as guided by our comprehensive ESG policy.

Looking ahead, we remain dedicated to advancing our ESG commitments, aware that our journey towards sustainability is continuous. We will keep pushing the boundaries of what is possible and fostering a culture of responsibility and inclusiveness.

Our ESG progress is available on page 11 and our Corporate Governance Report outlining our adherence to the Quoted Companies Alliance Code is detailed on page 23.

Operating Unit Review

Our principal operating subsidiaries continued with their strategy of growth through gaining market share in recession-proof markets as demand for our products remained buoyant which resulted in record advances in the year.

Conister Bank Limited and Conister Finance & Leasing Ltd

Conister, together with its wholly owned subsidiary, Conister Finance & Leasing Ltd, remained the driver of the Group's financial performance recording a Profit After Tax of £2.2 million (2022: £1.8 million).

In its home market, Conister continues to grow its loan book, lending £56.3 million (2022: £50.5 million) during the year. The net loan book stands at £78.1 million (2022: £68.4 million). This book continues to have exceptionally low arrears, 1.89% (2022: 1.95%).

In the UK, growth has been driven by our Structured Finance products with lending increasing by £93.1 million to £246.2 million (2022: £153.1 million). The structuring of these facilities continues to minimise the risk of default and is proving a successful mechanism for growth in this difficult environment.

The Isle of Man deposit base has again proved very loyal with an 77% retention rate (2022: 78%). This, along with new deposits of £156.0 million (2022: £106.3 million), provided ample liquidity to allow Conister to achieve its record growth and to provide support for the future.

In October 2023, Conister obtained its UK Branch Deposit Taking permissions which, as well as providing an alternative source of liquidity, will allow the Bank to access new lending and liquidity opportunities. We anticipate taking UK deposits in the second half of 2024, principally via a user-friendly online process.

Overheads, excluding provisions, increased by £1.5 million to £11.9 million (2022: £10.4 million) as the business geared up to become operationally ready to take deposits in the UK. Prudently, it has bolstered its Credit and Collections teams to continue to protect Conister during these challenging times.

Provisions reduced by £0.3 million to £9.3 million (2022: £9.6 million) and now represent 2.6% of the net loan book (2022: 3.3%). This reduction provides a positive reflection on the quality of the loan book.

The Bank's total assets have increased by £97.8 million to £451.8 million (2022: £354.0 million), driven by loan book growth of £68.0 million. Liabilities have increased by £90.8 million, with deposits increasing by £86.2 million to £390.4 million. As a result, Conister's equity has increased by £7.0 million to £41.5 million (2022: £34.5 million).

Following the award of the UK Banking Licence, Conister Finance & Leasing Ltd will be restructured during 2024, with the regulated activities merged into Conister. The Basingstoke office will continue as the Conister's UK branch for deposit taking and regulated lending.

MFX Limited

Our foreign exchange brokerage continued with an impressive performance considering these turbulent times and earned a profit of £0.7 million (2022: £1.4 million). Dividends paid to the Group in the year were £0.8 million (2022: £1.8 million).

Payment Assist Limited

This is the first full financial year that this business's result has been consolidated into the Group's annual accounts. The business operates mostly in the short-term lending market and exceeded our financial expectations in the year by delivering £4.0 million to the Group in terms of interest income to Conister and recharges for Group services.

Turnover was £10.8 million (2022: £10.1 million), Operating Profit was £2.7 million (£2022: £1.8 million) leading to a Profit After Tax of £2.1 million (2022: £0.8 million). As previously reported, the Group owns 50.1% of Payment Assist Limited, with the opportunity to acquire the remaining percentage from the beginning of 2027.

Edgewater Associates Limited

We restructured the company at the end of 2023 and, as a result, there are signs of a more sustained profitability for the future. Edgewater Associates Limited contributed £0.4 million (2022: £nil) in dividends to the Group.

Chairman's Statement
continued

Other operating subsidiaries

All other operating subsidiaries contributed positively to the Group's results.

Outlook

I believe that the high interest rate environment will persist during 2024 and this will continue to dampen our net interest margin, but it should not reduce the demand for our products. Shorter term lending in particular - loans less than 12 months - will continue to be much in demand for small businesses and consumers alike. Whilst I remain cautious about overall organic growth this year, accretive acquisition opportunities are available. We will remain prudent in our approach to these opportunities, and we will only progress such acquisitions if they can be delivered without any shareholder dilution.

Looking further ahead, the unwinding of the pressure on our net interest margin will naturally drive organic growth. This, along with any accretive acquisitions we make in the meantime, will create an even more robust, diversified financial services Group which will support our ongoing objective of continuously enhancing shareholder value.

Conclusion

I would like to take this opportunity to thank our staff and Board of Directors for their support in making this result possible and for setting the Group on the right footing for the opportunities and challenges that lie ahead. I would also like to thank the Executives for gaining the new UK Branch deposit taking licence in less than 12 months – a magnificent achievement and well done to all involved. Finally, I would like to thank my fellow shareholders for their continued support.

Jim Mellon
Executive Chair

25 March 2024

Business Model and Strategy

MFG has subsidiaries engaged in a suite of financial services based in the Isle of Man and the UK.

These companies offer financial services to both retail and commercial customers. MFG's strategy is to grow organically and through strategic acquisition to further augment the range of services it offers and gain market share in sectors in which it has proven experience. A summary of the strategic objectives for each principal subsidiary is set out below.

Conister Bank Limited ("Bank")

The Bank's Board of Directors ("Bank's Board") has set strategic objectives, aligned to its strategic plan. These objectives provide the framework for setting risk appetite statements and tolerances for all material risks. The strategic objectives set are:

- Maintain capital adequacy;
- Deliver stable earnings growth;
- Secure stable and efficient access to funding and liquidity;
- Treat customers fairly with the highest service standard possible
- Maintain stakeholder confidence; and
- Progress its Environmental Social and Governance ("ESG") strategy.

These strategic objectives provide the link between the Bank's strategic planning and its risk management framework, using risk appetite statements, measures and tolerances, to control risk on a day-to-day basis and are reviewed at-least annually and approved by the Bank's Board. Key in considering the Bank's judgement of appetites is its assessment of its regulatory environment both in the Isle of Man ("IOM") and the UK; the IOM and UK deposit markets; access to regulatory capital; the IOM and UK credit markets; the suitability of its product range; concentrations of advances and historic arrears. The aim is to deliver controlled growth, by providing adequate returns with strong credit profiles.

Having considered the above in light of the difficult economic conditions in the UK, and less so in the IOM plus the wars in Europe and the Middle East, drawing on both internal and external resources, the Bank continues to believe the credit markets in which it operates will deliver growth with liquidity sourced from its Balance Sheet; its IOM deposit base and the UK retail deposit market. This growth will be achieved through the organic expansion of existing products through acquisition. This strategy can be analysed by the geographical area the Bank operates within, namely the IOM and the UK.

The Bank is proud of its heritage and remains heavily IOM centric but recognises that, as its UK loan book grows, it will need to create a more substantial UK presence to manage and grow this aspect of its business. Contributing to this UK growth was the application for, and approval to, take retail deposits in the UK. This licence was granted in October 2023.

Sourcing reliable funding underpins the Bank's growth objectives. The Bank's strategy in this area is to secure a diversified, low-cost suite of liquidity alternatives to draw upon in order to support its lending strategy. The IOM deposit market remains a key source of liquidity which the Bank accesses through its fixed-term deposit and notice account products. The Bank's recently obtained UK deposit taking licence will play a significant part in the Bank's growth strategy.

The Bank recognises that it has an opportunity to increase its market share because of the reduction in competition experienced in this market and / or by increasing interest rates. As such, the Bank believes that it has sufficient reliable alternatives to be confident that it can raise the necessary deposits when required.

The Bank's acquisition strategy is to increase market share in sectors within which it already operates or to gain access to a desirable market through an existing reputable, profitable operator.

Regarding the former, the Bank continues to enjoy a positive lending experience within the structured finance and UK credit broker market and currently has circa £280 million (2022: £220 million) of net loans outstanding.

The Bank's decision in 2022 to include Environmental, Social, and Corporate Governance ("ESG") within its strategic objectives has seen great progress made. The Bank's Sustainability Report setting out its material ESG issues and objectives, work completed and ESG performance can be found on the Bank's website, www.conisterbank.co.im. The Group now has a clear plan to expand its ESG reporting to cover all of its operating subsidiaries.

Business Model and Strategy
continued

During the year, the Group engaged with its external consultants who assisted the Group with formulating its ESG goals. The Group's external consultants were instrumental in rebasing its 2030 target to realistic measures and expressed in clearly defined amounts. See the ESG report for more details.

MFX Limited ("MFX")

The strategic objectives of MFX are:

- To be the first choice for international payments and foreign exchange of corporations in the IOM;
- To maintain, develop and strengthen existing relationships;
- To increase the number of referrals to their foreign exchange business partners with a view of onboarding new accounts.

MFX target customers are corporates and private clients who have a foreign exchange and international payment requirement via its UK foreign exchange providers.

The IOM offers a diversified range of industries and sectors. For the next 12 months MFX will concentrate its efforts in developing new business opportunities both on IOM and in other jurisdictions.

MFX can negotiate upfront agreed foreign exchange margins and ensure price transparency, underpinning the professional relationship it provides. The international payment fees offer competitive value compared with local high street banks.

Payment Assist Limited ("PAL")

PAL provides the option for customers to spread the cost of ad-hoc expenses over monthly instalments through a range of fee free, interest-free or interest-bearing products. The Group acquired an initial 50.1% of PAL in May 2022.

The strategy is to build and develop the business by continuing to be the largest finance provider in the UK automotive after-market, whilst diversifying into alternative markets offering both short term and longer-term finance. This expansion will be executed on a selective basis with business partners who share our values for the highest level of customer service.

Blue Star Business Solutions Limited ("BBSL")

The strategic objectives of BBSL are to continue to grow its direct model to niche suppliers whilst growing its traditional pipeline to allow it to migrate to its ordinary course of business as these schemes conclude.

BBSL will expand its panel of alternative funders, apart from the Bank, to place loans to further maximise its sources of revenue.

Finally, BBSL will continue to develop its sales force to allow greater market penetration.

Edgewater Associates Limited ("EAL")

EAL is regulated by the Isle of Man Financial Services Authority ("FSA"). Its strategic objectives are to:

- Provide superior service to its client base;
- Increase assets under advice; and
- Grow and develop its staff skill set.

EAL is a full-service IFA practice with a diverse mix of clients requiring a broad range of products and solutions covering:

- Newly qualified professionals - protection, savings, school fees;
- Established clients - wealth management, retirement planning; and
- General insurance clients - home, travel, commercial and specialist.

EAL has an active client base of approximately 7,000 (2022: 7,000) with associated assets under advice of £328 million (2022: £319 million).

Whilst EAL continues to grow and develop its standard business model, it is always open to new opportunities. It remains nimble and ready to move in line with economic and regulatory changes as they arise. Its team remains current with industry standards and trends. It retains an appetite for growth, either through additional acquisition opportunities that may arise, or via organic growth from existing clients and business partners with whom it has built strong relationships.

Diversification opportunities are encouraged and pursued, including the successful programme to develop bespoke Employee Benefit Group Schemes. These incorporate staff pensions (including pension freedom), protection, private medical, and death in service cover.

Business Model and Strategy
continued

EAL trains talented people to progress into rounded, professionally qualified advisers who can fit within succession planning opportunities. To supplement this, it also recruits quality experienced advisers and para-planners who can further enhance its team.

Ninkasi Rentals & Finance Limited ("Ninkasi")

This business remains well positioned to gain additional market share through its unique equipment leasing options for the brewing industry.

In addition, Ninkasi is considering expanding its coverage to include Europe, either by a direct distribution strategy, or in partnership with a complementary business.

Further, Ninkasi will manage its utilisation demand through the acquisition of additional fermentation tanks.

The Business Lending Exchange Limited ("BLX")

BLX will continue to grow their loan book prudently in existing markets through the UK credit broker network, utilising existing market to offer attractive asset-backed products in a customer focused way to ensure the best possible customer outcome.

Environmental, Social and Governance Report

The following report provides an overview of MFG's operational carbon footprint in 2023 and supporting information including:

- Calculation methodology and reporting boundaries;
- the Group's carbon footprint report 2023;
- Carbon footprint report 2022 (base year) v5 2023;
- Carbon reduction target (2030); and
- 2024 focus areas

Methodology

The Group's carbon footprint is assessed in accordance with the Greenhouse Gas Protocol methodology, following the principles of relevance, completeness, consistency, transparency and accuracy. Scope 3 emissions are calculated based on the "The Corporate Value Chain (Scope 3) Accounting & Reporting Standard" methodology.

Unless otherwise stated all scope 1-3 carbon emissions have calculated data using Defra's 2023 Conversion factors for company reporting of greenhouse gas emissions.

Over 90.0% of carbon footprint has been calculated based on primary activity and spend data extracted from its business management system. Where data has not been available we have made reasonable estimations using (for example) published energy benchmarks and annual extrapolation. Data from third parties have been validated for completeness and accuracy.

Flight distances have been have verified (using the great circle method); flight emissions include radiative forcing (RF) in line with UK government recommendations and the GHG protocol.

MFG organisational reporting boundary

The Group's operational carbon footprint organisational boundary includes the following wholly-owned MFG subsidiaries:

- Conister Bank Limited (Douglas, IOM)
- Edgewater Associates Limited (Douglas, IOM)
- MFX Limited (Douglas, IOM)
- Conister Finance Ltd & Leasing Ltd (Basingstoke, England)
- Blue Star Business Solutions Limited (Basingstoke, England)
- Manx Collections Limited (Manchester, England)
- The Business Lending Exchange Limited (Peterborough, England)

MFG (2023) EMISSIONS REPORTING BOUNDARY

SCOPE 1 – DIRECT EMISSIONS

- Fuel (mains gas) combustion
- Fugitive emissions (refrigerant leaks from office air-conditioning systems)

SCOPE 2 – INDIRECT EMISSIONS

- Purchased electricity

SCOPE 3 – INDIRECT EMISSIONS

- Category 3 - Fuel- and energy-related activities
- Category 5 - Waste generated in operations
- Category 6 - Business travel
  - Flights
  - Mileage (private cars)
  - Trains
  - Hotels
  - Taxis & car hire
  - Boats
- Category 7 - Working from home

CURRENTLY OUT OF SCOPE SCOPE 3

- Cat 1: Purchased Goods & Services
- Cat 2: Capital goods
- Cat 4: Upstream transportation & distribution
- Cat 8: Upstream leased assets
- Cat 9: Downstream transportation & distribution
- Cat 10: Processing of sold products
- Cat 11: Use of sold products
- Cat 12: End-of-life treatment of sold products
- Cat 13: Downstream leased assets

Environmental, Social and Governance Report
continued

Notes on the emissions reporting boundary

- Scope 1 mains gas and office air-conditioning refrigerant leakage are the only scope 1 sources currently applicable to the Group as it has no company vehicles.
- Scope 2 purchased electricity is assessed and reported using location-based power generation activity data.
- The scope 3 carbon emissions sources reported are those for which MFG currently has the most accurate and complete datasets and/or practical control and influence over.
- MFG aims to include scope 3 category 1 Purchased Goods & Services within the 2024 carbon footprint assessments.
- As a financial services Group MFG is aware that Category 15 (Investment) emissions represent the substantial majority of its de facto scope 3 emissions and climate change impact. The Group is reviewing the Partnership for Carbon Accounting Financials (PCAF) methodology to understand the approach to measuring emissions relevant to the asset classes and financial services it provides.

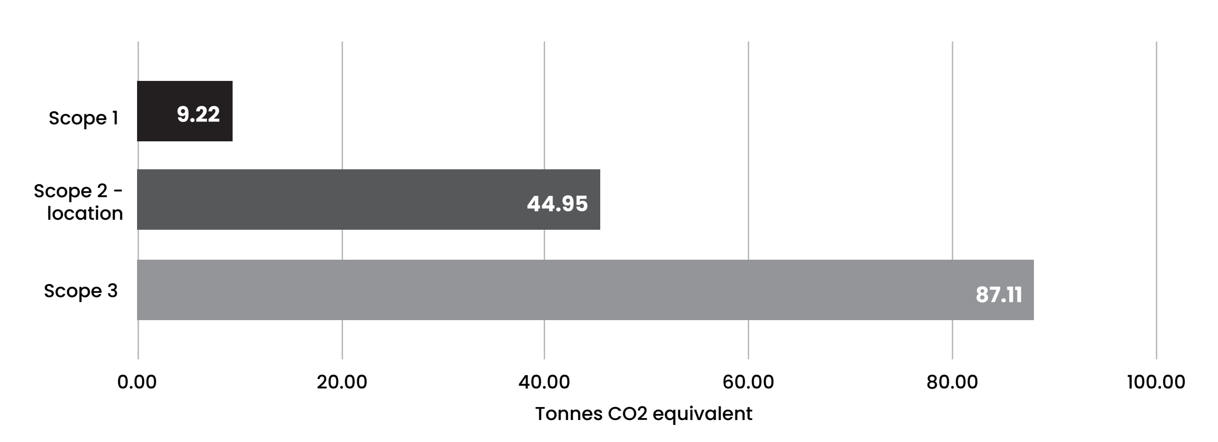
The Group's carbon footprint

The 2023 operational carbon footprint expressed in defined amounts is 141.3 tonnes CO2 equivalent.

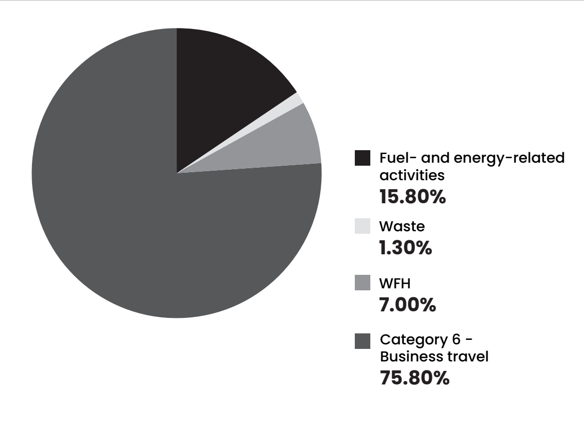
Emissions source	tCO2e 2023
Scope 1, 2 & 3	**141.28**
Scope 1 and 2 (location)	**54.17**
Scope 1	**9.22**
Fuels (natural gas)	5.28
Fugitive emissions (air-conditioning)	3.94
Scope 2 (location-based) Purchased electricity	**44.95**
Scope 3 - operations	**87.11**
Category 3 - Fuel- and energy-related activities	13.80
Electricity transmission & distribution (T&D) losses	3.89
Business travel Well-to-Tank (WTT) emissions	9.91
Category 5 - Waste generated in operations	1.18
Category 6 - Business travel	66.03
Flights	54.20
Hotels	3.35
Mileage (private vehicles)	6.59
Taxis and car hire	1.15
Trains	0.67
Boats	0.07
Category 7 - Working from home	6.12
Emissions intensity ratio	
Scope 1 and 2 tCO2e per FTE	0.44
Scope 1-3 tCO2e per FTE	1.15
Energy usage (MWh)	
Electricity	217
Gas	29

Environmental, Social and Governance Report
continued

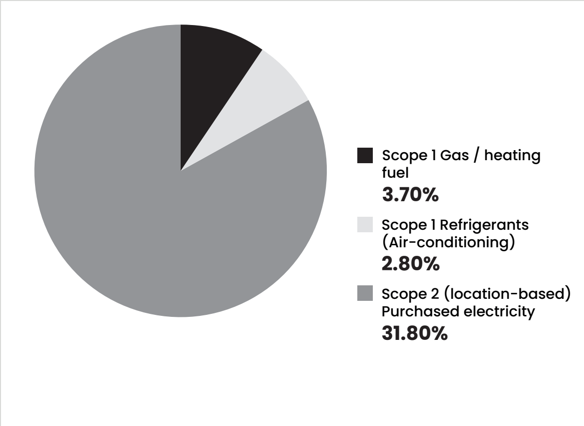
MFG scope 1, 2 & 3 carbon emissions 2023



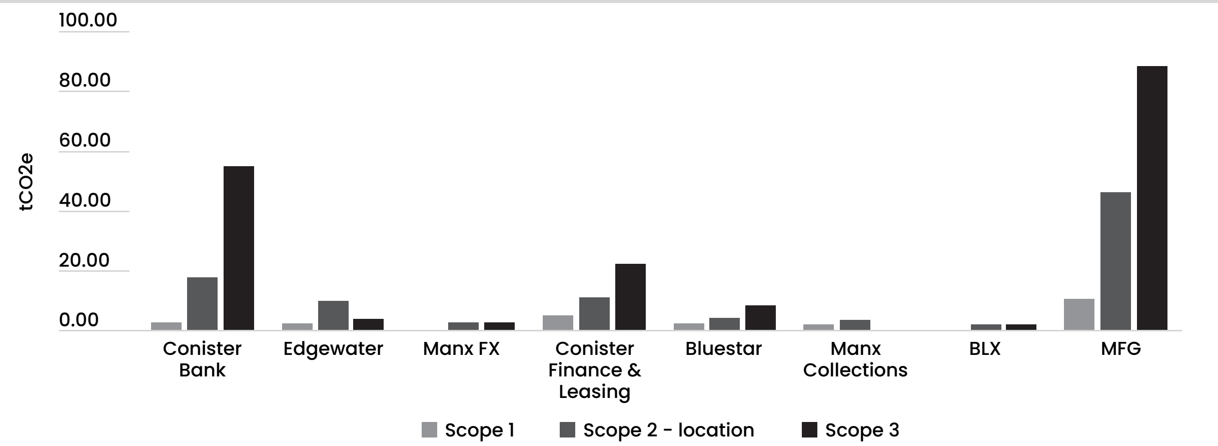
MFG's scope 3 emissions 2023 by source (%)



MFG's scope 1 & 2 emissions 2023 by source (%)



MFG's scope 1, 2 & 3 emissions in 2023 per business entity



Environmental, Social and Governance Report
continued

Carbon footprint 2022–2023 variance

In compliance with The GHG Protocol, re-calculation of the carbon footprint is required due to significant changes in operational and/or organisational boundaries, for example:

- Changes in the calculation methodology or improvements in the accuracy of emission factors or activity data that result in a significant impact on the base year emissions data; and
- Discovery of significant errors, or the accumulation of a significant number of minor errors that, in aggregate, have relevant consequences on the level of emissions.

Significant changes in the calculation of the Group's 2023 footprint include the following:

- Improved or granular categorisation of activity and cost data within our business management system – primarily for mileage, taxis or car hire.
- Calculating annual energy consumption and costs using primary activity data rather than as a proportion of annual service charges (as in the 2022 calculation) for two of the Group's UK mainland offices.
- More robust and accurate monitoring and recording of days worked remotely or at home across the business.
- Obtaining more granular waste management data from the building manager (IOM offices).

Further significant changes in emissions between 2022 and 2023 include:

- 75.0% reduction in mileage some of which is clearly a result of data re-categorisation, the majority (>60.0%) of which is a result of:
  – Less frequent and more efficient use of private vehicle for business trips; and
  – Better or more frequent use of IT services for business meetings.
- Significant increase in emissions from business flights primarily due to an uplift in international travel.

The table below shows the changes in the Group's carbon footprint between 2022 and 2023.

MFG's operational carbon footprint 2022 (base year) and 2023

Emissions source	tCO2e 2022	tCO2e 2023	Variance
Scope 1, 2 & 3	**120.38**	**141.28**	**+17.4%**
Scope 1 and 2 (location)	**47.32**	**54.18**	**+14.5%**
Scope 1	**6.65**	**9.23**	**+38.5%**
Fuels (natural gas)	3.20	5.28	+65.0%
Fugitive emissions (air-conditioning)	3.45	3.95	+14.4%
Scope 2 (location-based) Purchased electricity	**40.67**	**44.95**	**+10.5%**
Scope 3 - operations	**73.04**	**87.13**	**+19.3%**
Category 3 - Fuel- and energy-related activities	12.93	13.80	+6.7%
Electricity transmission & distribution (T&D) losses	3.72	3.89	+4.5%
Business travel Well-to-Tank (WTT) emissions	9.21	9.91	+7.6%
Category 5 - Waste generated in operations	8.08	1.18	-85.4%
Category 6 - Business travel	50.32	66.03	+31.2%
Flights	20.61	54.20	+163.0%
Hotels	3.27	3.35	+2.3%
Mileage (private vehicles)	24.87	6.59	-73.5%
Taxis and car hire*	-	1.15	
Trains	1.20	0.67	-44.4%
Boats	0.37	0.07	-82.1%
Category 7 - Working from home	1.71	6.12	+258.1%
Emissions intensity ratio			
Scope 1 and 2 tCO2e per FTE	0.37	0.44	+18.2%
Scope 1-3 tCO2e per FTE	0.95	1.15	+21.2%
Energy usage (MWh)			
Electricity	210	217	+3.2%
Gas	18	29	+62.5%

* Taxis and car hire emissions were included in 'mileage' in 2022.

Environmental, Social and Governance Report
continued

Carbon reduction target (2030)
The Group has used the Science Based Target Initiative (SBTi) tool and methodology (cross-sector pathway decarbonisation) to develop decarbonisation targets for scope 1, 2 and 3 emissions as currently measured. The SBT approach uses three broad climate-warming scenarios; MFG's targets align with the most stringent (1.5C warming) scenario. The table below summarises the Group's 2022 and 2023 emissions against the 2030 target; the scope 3 categories included are:

- Category 3 - Fuel- and energy-related activities
- Category 5 - Waste generated in operations
- Category 6 - Business travel
- Category 7 - Working from home

The Group notes a rise in flight and fuel increases, which is explained by a normalisation of travel post-Covid lockdown restrictions and the establishment of the UK Branch. The Group expects these to reduce in future periods as it progresses towards its 2030 target.

MFG decarbonisation target

Emissions source	2022 (base year) tCO2e	2023 tCO2e	2030 target tCO2e	Variance 2022-2030
Scope 1 + 2 emissions	47.3	54.2	27.5	-41.9%
Scope 3 emissions	73.1	87.1	42.4	-42.0%
Total	**120.4**	**141.3**	**69.9**	**-42.0%**

The Group aims to submit its scope 1 and 2 targets to SBTi for validation by 2025.

2024 focus areas

Widening the footprint boundary	• Emissions sources to include in ongoing assessments: – Scope 3 Category 1 – Purchased Goods & Services – using spend-based emission factors (such as CEDA/VitalMetrics database) and (where possible) product LCA data. – Scope 3 Category 7 - Employee commuting – implementing a non-intrusive survey to record employee commutes.
Scope 3 – Cat 15	• Using The Partnership for PCAF methodology to understand or develop a realistic and relevant approach to measuring emissions related to the financial services we provide.

Risk Management

Risk management overview

Effective risk management is crucial to MFG's sustainability. The MFG Board of Directors ("Board") is ultimately accountable for the effective governance of risk management. The Board maintains its oversight and responsibilities in terms of the three lines of defence risk governance model as set out below.

Determining the Group's risk tolerance and appetite through enterprise risk management is a key element of MFG's corporate governance framework. It is primarily designed to assist the Group in enhancing its corporate governance and intended to reinforce the key elements of Quoted Companies Alliance ("QCA Code") corporate governance principles, adopted by the Group.

A fundamental principle contained in the Code, is for effective risk management: MFG has in place a Risk Management Framework ("RMF") to support the implementation of some of the principles of the MFG Governance Framework at the subsidiary level. The RMF supports the Board and senior management in fulfilling their respective duties in relation to the sustainable operation of the business. This includes the integration of ESG in the business. The risk management system is supported by policies, processes and activities relating to the taking, management and reporting of risk.

Management and accountability

The Audit, Risk and Compliance Committee ("ARCC") is operated at a Group and Bank level and currently comprises of three experienced Independent Non-executive Directors, two of which are qualified accountants. Only members of the ARCC have the right to attend ARCC meetings to allow for independence. However, other individuals representing Executive Management, Risk, Compliance and Internal and External Audit are invited by the Chairman of the ARCC to attend all or part of any meeting as and when appropriate.

The main objectives of the ARCC are to review operations and ensure that they are conducted to the highest possible standards. This is accomplished by providing an independent objective assurance function specifically for, but not limited to:
Internal Controls and Risk Management Systems; Whistleblowing and Fraud; Risk and Compliance; Internal Audit and External Audit.

It provides oversight of compliance with all legislation, regulation, and applicable codes of practice in the jurisdictions that MFG conducts business; and reviews policies, procedures and processes to effectively identify, quantify and manage all material risks and to advise on best practice.

RMF

The following overview of the key governance components that make up the MFG system of governance illustrates the crucial role of the RMF:

RMF - Culture

The risk culture, which forms part of MFG's overall culture, encompasses the tone at the top of the organisation and a set of shared attitudes, values, behaviours, and practices that characterise how individuals at MFG consider risk in their day-to-day business activities. Analysis of previous incidents and ongoing assessment ensure continuous improvement in the management of risk.

All individuals are trained to understand the importance of effective risk management and ensure that risks associated with their role are appropriately understood, managed and reported. Individuals at all levels communicate risk related insights in a timely, transparent, and honest manner.

This culture is driven from the top by the Board and Executive Management through how they communicate, make decisions, and motivate the business. Managers and leaders ensure that in all their actions and behaviours they continually reinforce the culture that the effective management of risk is critical to MFG's success and that every individual plays a role in the management of risk.

RMF - Appetite

Risk appetites are currently only set at subsidiary level and determine the maximum amount of risk that it is prepared to accept in the pursuit of delivering business objectives. The risk appetite considers all the risks detailed under "Principal risks"- on page 18 and is reviewed annually, and, as the operating environment changes, it is constantly measured against stated appetite to take appropriate action.

RMF - Risk identification, measurement, and control

Having a robust understanding of the risks to which the business is exposed is crucial to ensure that all material risks are appropriately monitored, managed, and reported on. An understanding of risk is developed through the identification, assessment and, where appropriate, measurement of risks to which the business is exposed.

These processes are performed as part of strategy setting, strategy execution and day-to-day operations and are referred to as risk and control assessments. The Risk team provides tools to aid managers and individuals in developing an understanding of risk within their respective business responsibilities.

Risk Management
continued

The risk and control assessment process of understanding risk and reviewing the adequacy and effectiveness of related controls and risk mitigation approaches is performed on a regular basis, as a minimum annually, and is reported to and governed by:

- A high-level assessment to identify the principal risks enabling work to progress in a focused manner in completing risk and control assessments, to build a key control monitoring programme;
- Management Committees, including a review of roles and responsibilities, ensure that all material risks are captured and formally considered prior to presentation to the ARCC and the Board;
- Procedures within the framework ensure that the relevant Management Committee is accountable for the policies that support their risk, and to reduce the workload for the ARCC and the Board, enabling them to focus on overseeing and challenging the RMF; and
- Board approved risk appetite statements, and the design of an underlying risk appetite measures framework, to be owned and monitored by the relevant Management Committee.

RMF – Three lines of defence and key assurance functions

As part of its overall RMF, MFG has adopted best practice monitoring and control mechanisms by implementing the three lines of defence governance and combined assurance model. Thus the responsibility for governance and oversight is allocated throughout the organisation according to the three lines of defence principles.

This governance model is regarded as international best practice for ensuring good governance (including governance within risk and capital management) across an organisation. The emphasis is placed on ownership, responsibility, independence, assurance, communication, oversight, and transparency across MFG's governance.

The term 'key assurance function' refers to a properly authorised function, whether in the form of a person, unit, or department, serving as a control or 'checks and balances' function from a governance perspective, and which carries out such activities. These functions typically are second and third line of defence functions.

First line of defence

The first line of defence e.g., business management is primarily accountable for the day-to-day risk origination and management in accordance with risk policy and strategy. This includes identifying, assessing risks, and implementing responses.

Second line of defence

The second line of defence is responsible for the development and maintenance of the frameworks and policies. The second line provides oversight of, and challenge to, the first line of defence and drives the implementation of the frameworks and policies.

Third line of defence

The third line of defence is the independent assurance function providing overall assurance to the Board on governance, risk management, and internal controls. The third line of defence comprises of internal audit, external audit, and other independent assurance providers. The third line of defence is completely independent from the management of the day-to-day business activities.

RMF - MFG assurance functions

MFG has effective systems of risk management and internal control. The tasks, processes and obligations of the key assurance functions are transparent and clearly defined, with regular exchange of information between the functions. Each of the functions is structured to ensure that it has the necessary authority, independence, resources, expertise and access to the Board and all relevant employees and information to exercise its authority. The minimum assurance departments within MFG include:

- Risk management function;
- Compliance function; and
- Internal Audit function.

The departmental head of each of these key functions possesses the necessary skills, experience and knowledge required for the specific positions they exercise and meet all suitability and 'fit and proper' requirements. Written guidelines for these functions are in place, and compliance with them is assured on a regular basis. All of the key independent functions within MFG have a direct reporting line to the ARCC and the Board.

RMF - Internal Capital Adequacy Assessment Process ("ICAAP")

Overview

ICAAP is a key strategic and risk management tool for the Bank. It is a key component of the Bank's planning process during the short and medium-term. The Bank's lead regulator, the FSA, requires the Bank to establish and maintain an ongoing internal adequacy assessment process which is appropriate to the nature and scale of its business and reviews that process annually and evidences that review.

Risk Management
continued

Methodology

The Bank's ICAAP process is as follows:

Formulation of the Bank's strategy and budget

Strategic plans are prepared annually for the forthcoming year, which consider the Bank's risk appetite, key market sectors to target, products to leverage / introduce, headcount, operational and capital investment required.

Risk assessment

The Executive Team will liaise with the Risk and Compliance department to determine the material risks in the Bank based on incidents and breaches, Internal Audit reports, Risk and Compliance report findings and issues raised at the Board and Committee meetings.

Stress testing and reverse stress testing

The Finance department uses Bank of England market assumptions for stress testing and stress the five-year forecasts to identify any capital deficiencies. Reverse stress testing is also used based on the assumption that the Bank ceases to trade, coupled with a run-off scenario to determine the capital distribution.

Reverse stress testing is used to explore the vulnerabilities to extreme adverse events in the Bank's strategy and plans that might cause the business to fail, in order to facilitate contingency planning.

Calculation of capital requirement and buffers

Following the setting of strategy, risk assessment and stress tests, the Bank will then calculate its capital requirements by considering the following areas:

- Pillar I – The calculation is based on the minimum regulatory requirement under Pillar I of 10.0% of risk weighted assets for material risks;
- Pillar II – Assessment of any additional business risks not covered by the minimum Pillar I requirement, plus an assessment of Pillar II risks based upon the current material risk assessment and stress tests, to determine whether any additional capital buffers are deemed appropriate;
- Pillar III – Pillar III establishes measures to make better use of market discipline. Pillar III applies only at the top consolidated level of a banking group and is therefore generally not considered to be applicable to IOM incorporated banks as per FSA ICAAP guidance; and
- Buffers – The Bank assesses its position against industry standards for regulatory buffers and calculates its position based on its overall exposures to different jurisdictions.

Review, challenge and adoption of the ICAAP

The ICAAP is prepared by the Finance department in conjunction with the Risk and Compliance department, and reviewed by the Bank's Executive Team, Risk Management Committee, ARCC, Internal Audit and the External Auditor. It is used to measure and benchmark the Bank's risk appetite and to forecast capital usage under both stressed and normal conditions. The ICAAP is challenged at all stages of the review process and presented to the Bank's Board by ARCC for approval prior to being submitted to the FSA. The ICAAP is regularly reviewed and updated throughout the year by management and referred to the ARCC and the Bank's Board.

ICAAP Results

The Bank has completed its ICAAP testing for 2022 in compliance with regulatory requirements. Despite the severity of the risk scenarios modelled, the Bank satisfied the capital and leverage requirements for the purpose of the stress test.

Principal risks

As a result of the RMF, identified on page 16, the Group has exposure to the following key risks:

- Strategic;
- Credit risk including counterparty credit;
- Operational risk including regulatory;
- Conduct;
- Liquidity;
- Interest rate;
- Regulatory; and
- Reputation.

The Group has considered the above key risks that it faces and the mitigating controls against those risks:

Strategic risk

Strategic risk is the risk to the Group's revenue and operational costs as set within the budget and the medium-term plans arising through sub-optimal implementation of the strategic plan due to either internal or external factors faced by its subsidiaries.

Controls and mitigation

The Group controls and mitigates this risk via a number of measures:

- Subsidiaries generally commence their formal planning process in September for the forthcoming year, to inform the budget submitted to the boards

Risk Management
continued

throughout the Group for approval. In reality, the planning process is continuous and responsive to change in the internal and external environment;

- Barriers to delivering the strategic plan, and changes to planned activity are captured in the various subsidiary 'Managing Directors' Reports' which are submitted to their respective boards and then ultimately reported to the Group Board at each Board meeting. The reports take account of input from the Group Executive Directors and current financial performance versus budget and seek to highlight strategic responses for the relevant subsidiary;
- Key strategic projects are managed under formal project governance with progress of key projects tracked, and communicated and discussed at regular project meetings; and
- The impact of limited capital, liquidity, operational capacity, and regulator restriction on the achievement of strategy is captured by the planning process, with exceptional items dealt with under the relevant risk category, where the impact on risk appetite and mitigating actions will be formally recorded.

Credit risk including counterparty credit risk

Credit risk is defined as the risk that counterparties fail to fulfil their contractual obligations. A material decline in credit quality, or the failure of a counterparty, could result in higher levels of arrears and ultimately in increased provisions and write-offs, which impacts upon profitability, potentially eroding the capital position for the Group's subsidiaries.

Controls and mitigations applied

- Delegated authorities: The Group operates to a schedule of delegated lending authorisation limits linked to an individual underwriter's knowledge and experience. This is bolstered by validations of all significant credit exposures over set limits and ongoing monitoring of credit positions of key suppliers and intermediary networks;
- Distribution strategy: The Group actively monitors and controls the credit risk of all business undertaken to ensure that it is treating customers fairly and as a safeguard against the failure of any business relationship. Mitigation of counterparty credit risk is supported through the maintenance, where appropriate, of cash reserves and loss pools to fund any buy-back indemnity. Comprehensive due diligence processes are also performed;
- Monitoring of credit quality exposure: The Group monitors its credit risk exposures via an internal credit risk grading methodology that assigns each individual exposure with one of three credit grades based upon the probability of default at product and distribution channel level. This allows for better monitoring of credit quality and impairment of its current book as well as forecasting and stress testing on a more accurate basis;
- Concentration risk: To protect against the unintentional build-up of exposures where deterioration could materially impact the Group's sustainability and profitability. The Group seeks to maintain a diverse portfolio of products across a variety of geographical regions, customers, sectors, and asset classes. This diversity protects the Group against any deterioration in a particular geographical region, the economic environment, commercial sector etc;

Operational risk including regulatory risks

Operational risk is the risk of loss resulting from human error, inadequate or failed internal processes or controls, system failure, improper conduct, fraud, or external events.

The principal operational risks for the Group arise from the following areas:

- Resilience of the IT environment: The IT environment is under constant review ensure operational continuity. The Group's IT Steering Committee ("ITSCO") identifies and implements efficiencies to enable enhanced customer service through the provision of additional facilities and products, and to automate manual tasks wherever possible to minimise the potential for human error. ITSCO also reviews and monitors current service standards, highlighting any deficiencies and mitigates accordingly. There are a number of exception reports and scheduled tasks on a daily basis to ensure that any controls within the IT systems are being reported on adequately; and
- Third Party administration services: The key operational controls ensure that partners are fulfilling their legal and regulatory obligations in accordance with their service-level agreement with the Group. The Group has an outsourcing policy to ensure obligations are monitored and met. Internal reviews and audits are conducted on counterparties to ensure terms agreed are being adhered to.

Risk Management
continued

Controls and mitigation

- Adherence to internal limits and approval processes through:
  - Delegated authorities: The Group operates to a schedule of delegated credit authorisation limits and payment approval limits, linked to an individual's knowledge and experience;
  - Segregation of duties: There is appropriate segregation between those authorising transactions and those executing them, with four eyes principles in place where required;
  - Exception reporting: Daily reporting ensures that any regulatory and internal limits are reviewed regularly by the appropriate Management team; and
  - New Business approval policy: All material new business is approved in line with a formally approved policy, with ultimate decision making resting with the applicable Executive Committee.
- Change control: The Group ensures that both, changes to existing products and services and new products and services, are delivered in a controlled manner with the appropriate checks and controls in place;
- Onboarding: A comprehensive on-boarding process is in place for new outsourced partners in the IOM and UK;
- Due diligence checks: The operational risk from the Group's third-party administrators is mitigated by a comprehensive due diligence process which includes a comprehensive take-on appraisal and a full review of the partner's policies, procedures and financial stability;
- Key Operational Controls: Key controls are monitored through a combination of management oversight, Risk and Compliance monitoring and Internal Audit reviews;
- New Business Policy and Process: New business and material business change is outlined in a formal policy, which requires that a sequence of assessment and approval is followed. This ensures that all relevant input is included, and material risks considered; and
- Exception reports: Exception reporting allows the Group to identify weaknesses in processes and controls which in turn allows for adequate training and the bolstering of systems and processes.

Conduct risk

The Group is exposed to conduct risk through its operations and interactions with consumers, either directly or through third parties (brokers, or other counterparties).

Controls and mitigation

The Group has policies to ensure adherence to conduct related regulatory standards and to promote continual focus on good customer outcomes. Appropriate policies also govern where good conduct is contracted to third parties, either directly or through distribution chains. In all cases, compliance with standards is appropriately monitored through the collection and assessment of relevant data, partner attestation, and onsite audits where appropriate.

General conduct principles including Consumer Policy and Treating Customers Fairly (TCF) principles, are well embedded across the Group's activities.

Liquidity risk

Financial institutions are subject to liquidity risk as an inherent part of their business. Liquidity risk is the risk that the Group may not hold sufficient liquid funds meaning it would be unable to meet its contractual liabilities as they fall due.

Liquidity risk arises where the Group, through its subsidiaries, has contractual credit obligations that can be placed under stress during times of illiquidity. Should this ever occur, the Group would access the capital markets. In addition, it has built a core portfolio of liquid assets or buffers as additional sources of liquidity that can be utilised during such times.

Controls and mitigation

Overall, the Group's liquidity profile is resistant to stress as the Group:

- Has a positively matched funding profile and does not engage in maturity transformation. This means that on a cumulative mismatch position, the Group is forecast to be able to meet all liabilities as they fall due;
- Maintains an adequate liquidity buffer; and
- Has no exposure to the interbank lending market.

The Group's liquidity position is monitored daily against internal and external agreed limits. The Group also has a Liquidity Contingency Policy and Liquidity Contingency Committee should a liquidity crisis or potential liquidity disruption event ever occur.

Interest rate risk

Interest rate risk refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions.

Risk Management
continued

The principal potential interest rate risk that the Group is exposed to is the risk that the Bank's fixed interest rate and term profile of its deposit base differs materially from the fixed interest rate and term profile of its asset base.

Controls and mitigation

- Funding profile: Interest rate risk for the Group is not deemed to be material currently due to the Bank's positively matched funding profile. In a rising interest rate environment, due to the nature of the Group's products and its matched funded profile, it should theoretically be able to change the Bank's lending rate to match any corresponding change in its cost of funds;
- The Bank matches its deposit taking to its funding requirements to the greatest extent possible;
- The maturity profile of the Bank's loan book through staged repayments means interest risk is difficult to hedge effectively so the Bank does not currently hedge against this risk, and is not exposed to any additional market interest rate risk in this respect; and
- Funding cost: The Group would be exposed to potential risk if the Bank's cost of funds, which is linked to the cost of retail deposits, and ultimately the UK banks' base rate, was to increase and it was unable, due to a competitive lending environment, to raise its lending rate correspondingly. The Group's three-year plan allows for an increase in its cost of funds, but the Group accepts that these assumptions may not reflect the timing of any interest rate rise or the quantum of any increase.

Regulatory risk

Regulatory risk is the risk of material breach of regulation.

The risk of regulatory breach arises through a failure to identify, assess, and apply applicable regulation; or a failure to adhere to the applicable regulation as applied.

The Group holds, via the Bank, a Class 1 (1) Banking Licence in the IOM and is accordingly regulated by the Financial Services Authority ("FSA") and a UK deposit taking licence with the Prudential Regulatory Authority ("PRA"). The Bank also holds permissions with the UK's Financial Conduct Authority ("FCA") pertaining to regulated credit activities, and other specified regulated products and services in the UK.

The Bank is in the process of applying for a UK deposit taking licence with the Prudential Regulatory Authority.

The Group also holds, via EWA, an IOM Class 2 licence to conduct investment business and is licenced as a general insurance intermediary, both regulated by the FSA.

Other regulated entities in the Group are PAL, BLX and MCL principally for Consumer Credit and Debt Collection.

The risk of regulatory breach arises through a failure to identify, assess, and apply applicable regulation; or a failure to adhere to the applicable regulation as applied.

Monitoring and complying with the requirements of existing regulation across numerous regulatory bodies, along with the rapid pace and volume of regulatory change is a key risk. The risk is compounded due to the size of the Group.

Controls and mitigation

The Group remains well placed to meet the regulatory challenges that bring change to the macro environment.

Regulatory risks continue to be mitigated by themed and ad-hoc compliance monitoring reviews which are driven using a risk-based approach to ensure resource is directed to areas of potential material risk. The monitoring plan is approved annually by the ARCC. Monitoring reviews are supplemented by ongoing staff training and guidance.

Wherever possible, legislative, and regulatory requirements are built into relevant administration systems, with appropriate monitoring and exception reporting processes in place to monitor compliance.

The Group maintains a watching brief on the regulatory environment and, as active members of a number of IOM and UK trade bodies, it receives additional regulatory updates and guidance on proposed legislative and regulatory issues. Upstream regulatory changes are tracked and assessed for impact by the Compliance Department and material items reported to the ARCC.

Reputation risk

Reputation risk is the risk of loss resulting from damages to the Group's reputation, in lost revenue or increased costs, or destruction of Shareholder value.

Controls and mitigation

The Group mitigates this risk by ensuring that its key risks are identified and managed, with an impact assessment of any potential or actual issues considering the impact to the Group's reputation. The Group actively seeks to minimise the occurrence of events or issues which could give rise to loss or negative feedback, and actively manages the impact should issues occur.

Corporate Governance

In this section

Corporate Governance Report

Corporate governance report

The Board is committed to best practice in corporate governance. Directors have agreed to comply with the provisions of the Quoted Companies Alliance Corporate Governance Code for Small and mid-size Quoted Companies ("QCA Code") to the extent which is appropriate to its nature and scale of operations. This report illustrates how the Group complies with those principles.

QCA Principle 1: Establish a strategy and business model which promote long-term value for Shareholders

The immediate strategy and business operations of the Group are set out in the Strategic Report.

The Group's strategy and business model and amendments thereto, are developed by the Chief Executive Officer ("CEO") with his senior management team and approved by the Board. The management team, led by the CEO, is responsible for implementing the strategy and managing the business at an operational level.

The Group's overall strategic objective is to grow organically and through strategic acquisitions to further augment the range of services it offers and gain market share in markets in which it has proven experience.

The Group has a balanced portfolio of regulated and unregulated operations, all of which are managed on a risk-based and prudential approach. The principal activities include: deposit taking; lending to consumer and commercial markets in the IOM and the UK; the provision of dedicated financial advice, especially in the areas of pensions and general insurance; and foreign currency and payment services.

The Group has adopted a portfolio approach to its strategic assets and is not dependent on one particular platform technology. The Directors believe that this approach helps to mitigate any concentration risk.

The Group operates in some heavily regulated sectors, and this is reflected in the emphasis on compliance and the provision of excellent customer service.

In executing the Group's strategy and operational plans, management will typically confront a range of day-to-day challenges associated with risks and uncertainties and will seek to deploy the identified mitigation steps to manage these risks as they manifest themselves.

QCA Principle 2: Seek to understand and meet Shareholder needs and expectations

The Group, via the CEO, seeks to maintain a regular dialogue with both existing and potential new Shareholders to communicate the Group's strategy and to understand the needs and expectations of Shareholders.

Beyond the Annual General Meeting, the CEO and, where appropriate, other members of the senior management team will meet with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.

The Group's investor relations activities encompass dialogue with both institutional and private investors. From time-to-time, MFG attends private investor events, providing an opportunity for those investors to meet with representatives from the Group in a more informal setting.

QCA Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include not only the Group's employees, partners, suppliers, regulatory authorities, but also customers, be they depositors, borrowers or those seeking financial advice. The Group's operations and working methodologies take account of the requirement to balance the needs of all stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole.

- Customers – are at the heart of the business, and the Group operates with a shared vision and set of values. These values instil a sense of how all staff form a part of the customer journey. Feedback is encouraged at all points of contact; it is proactively enacted upon as it aids the identification of process and system enhancements;
- Shareholders – where appropriate Shareholder feedback is discussed at the Board, with any actions agreed being tracked to completion by the Company Secretary. Shareholders have an opportunity to raise questions to the Board, in person, at the Annual General Meeting. In addition, the CEO meets with and addresses Shareholder concerns where appropriate;

Corporate Governance Report
continued

- Employees – the Group collates employee feedback on an annual basis, engages employees via workshops, with all outputs analysed and visibly addressed by the Executives of the operational subsidiaries that form the Group; with the aim being to build an engaged, committed and enthusiastic workforce;
- Partners and suppliers – the Executive and Management regularly meet with our partners and suppliers to ensure the needs of all parties are understood to achieve continued excellent working relations; and
- Environment - The Group recognises the QCA Code recommendations on the integration of ESG and alignment with a reporting framework across organisations. This is a fast-moving agenda with the consolidation of voluntary frameworks and growth of international statutory reporting frameworks, and the Group continues to monitor this evolution and what it means with interest. Notwithstanding, integration of ESG across the Group is on-going as material ESG issues are identified. The Bank is now into its fourth year of responding to ESG integration and provides the model that other Group subsidiaries are following.

QCA Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness by a series of committees, overseen by the ARCC, and reviewed by Internal Audit. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the ARCC, which meets at least six times per year, the effectiveness of these internal controls is formally reviewed four times per year.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, and comparison to budget, are reported to the Board monthly.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on at least an annual basis.

The senior executives meet weekly to consider new risks and opportunities for presentation to the Group, making recommendations to ARCC and or the Board as appropriate.

The Directors consider they are provided with all necessary information to assess the Company's position, performance, business model and strategy.

QCA Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The Board currently comprises four Non-executive Directors and four Executive Directors.

Each of the Directors are subject to election by Shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

Directors' biographies are set out on page 28.

The Board is responsible to the Shareholders for the proper management of the Group and meets at least four times a year to set the overall direction and strategy of the Group, to review operational and financial performance, and to advise on management appointments. All key operational and investment decisions are subject to Board approval.

The Board considers itself to be sufficiently independent. The QCA Code suggests that a board should have at least two independent non-executive directors. The Board considers three Non-executive Directors, namely Alan Clarke (Chairman of the ARCC), Gregory Jones and John Spellman, are independent under the QCA Code's guidance for determining such independence.

Non-executive Directors receive their fees in the form of a basic cash emolument. The CEO and Finance Director are the only Directors who hold Restricted Stock Units ("RSUs") or options over the Group's shares. The number and terms are found on page 36.

The RSUs or option grant concerned are not deemed to be significant, either for the individual Executive Director or in aggregate. The current remuneration structure for the Board's Non-executive Directors is deemed to be proportionate.

Corporate Governance Report
continued

QCA Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board considers that all the Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities, and bring considerable experience in regulatory, financial and operational development within the financial service sector in both the IOM and the UK.

The Directors' biographies are set out on page 28.

The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the year, Directors receive updates from the Company Secretary and various external advisers on a number of corporate governance matters.

Directors' service contracts or appointment letters make provision for a Director to seek personal advice in furtherance of his or her duties and responsibilities, normally via the Company Secretary.

QCA Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board has an internal process for evaluation of its own performance, that of its committees and individual Directors, including the Chairman. This process is conducted annually and last took place in October 2023, with no substantive issues arising.

The Board may utilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning.

QCA Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback sought. The senior management team seeks to address any concerns that may arise, escalating these to Board level as necessary.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. This is enshrined in the Group's health and safety policy.

QCA Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The role of the Board

The Board is collectively responsible for the long-term success of the organisation. Its principal function is to determine the strategy and policies of the Group within an effective control framework which enables risk to be assessed and managed. The Governance Framework is reviewed to ensure it remains fit for purpose on an annual basis and is approved by the Board.

The Board ensures that the necessary financial and human resources are in place for the Group to meet its objectives and that business and management performances are reviewed. Furthermore, the Board ensures that the Group operates within its constitution, relevant legislation and regulation and that proper accounting records and effective systems of business control are established, maintained, documented, and audited.

There are at least four formal Board meetings each year. All Board members have the benefit, at the Group's expense, of liability insurance in respect of their responsibilities as Directors and have access to independent legal or other professional advice if required. The Board has a formal schedule of matters which are reserved for its consideration, and it has established three committees to consider specific issues in greater detail, being the ARCC, the Remuneration Committee and the Nomination Committee. The Terms of Reference for each of these Committees are published on the Group's website www.mfg.im.

There is a clear separation of the roles of CEO and Executive Chairman.

Corporate Governance Report
continued

Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role, promoting a culture of openness of debate, and communicating with the Group's members on behalf of the Board. The Chairman sets the direction of the Board by facilitating the effective contribution of Non-executive Directors and ensuring constructive relations between Executive and Non-executive Directors. The Chairman also ensures that Directors receive accurate, timely and clear information. This fosters a positive corporate governance culture throughout the Group.

CEO

The CEO is responsible for managing the Group's business and operations within the parameters set by the Board.

Non-executive Directors

The Non-executive Directors are responsible for bringing independent judgement to the discussions held by the Board, using their breadth of experience, and understanding of the business. Their key responsibilities are to constructively challenge and contribute to strategic proposals, and to monitor performance, resources, and standards of conduct, compliance, and control, whilst providing support to executive management in developing the Group.

Prior to appointment, Non-executive Directors are required to demonstrate that they are able to allocate sufficient time to undertake their duties.

The Board has established an ARCC, a Remuneration Committee and a Nomination Committee with formally delegated duties and responsibilities.

Group Audit, Risk and Compliance Committee ("ARCC")

The ARCC meets at least six times each year and comprises of three Independent Non-executive Directors, currently Alan Clarke (Chairman), Gregory Jones and John Spellman. Representatives from Compliance and Risk, the Internal and External Auditor and executive management attend by invitation. Its role is to be responsible for reviewing the integrity of the financial statements and the balance of information disclosed in the accompanying Directors' Report, to review the effectiveness of internal controls and risk management systems, to monitor and review the effectiveness of the Internal Audit function and to consider and recommend to the Board (for approval by the members) the appointment or re-appointment of the External Auditor. The ARCC reviews and monitors the External Auditor's objectivity, competence, effectiveness, and independence, ensuring that if it or its associates are invited to undertake non-audit work it will not compromise auditor objectivity and independence.

Group Remuneration Committee ("REMCO")

The REMCO meets at least twice a year and currently comprises of two Independent Non-executive Directors, currently Alan Clarke (Chairman), and Gregory Jones, with the Executive Directors, Head of Human Resources and external advisers attending by invitation where appropriate. It is responsible, amongst other matters, for determining the remuneration of the Executive Directors, the Company Secretary, and other members of management. Committee members do not take part in discussions concerning their own remuneration. The Chairman and CEO determine Non-executive Director fees.

Group Nomination Committee ("NOMCO")

The NOMCO is comprised of the whole Board. It is chaired by the Chairman of the Board and is responsible for making recommendations to the Board on matters relating to the composition of the Board, including Executive and Non-executive Director succession planning, the appointment of new Directors and re-election of existing Directors.

Appointments to the Board

The principal purpose of the Nomination Committee is to undertake the assessment of the balance of skills, experience, independence and knowledge on the Board and subsidiary boards against the requirements of the business, with a view to determining whether any shortages exist. Having completed the assessment, the Committee makes recommendations to the Board accordingly. Appointments to the Board are made on merit, with due regard to the benefits of diversity. Within this context, the paramount objective is the selection of the best candidate, irrespective of background, and it is the view of the Board that establishing quotas or targets for the diversity of the Board is not appropriate.

All Group Director appointments must be approved by the Company's Nominated Adviser, as required under the AIM Rules, before they are appointed to the Group Board.

Corporate Governance Report
continued

Re-election

The Group's Rules require that all Directors are submitted for election at the AGM following their first appointment to the Board and one third of the Directors are subject to retirement by rotation on an annual basis to refresh the Board, irrespective of performance.

The Corporate Governance Manual also contains a schedule of matters specifically reserved for Board decision or approval and sets out the Company's share dealing code and its public interest disclosure ("whistle-blowing") policy and procedures.

Board and committee attendance

The number of formal scheduled Board and Committee meetings held and attended by Directors during the year was as follows:

	Board	ARCC	REMCO	NOMCO
Jim Mellon	5/8	-	-	3/3
Denham Eke	8/8	-	-	3/3
Douglas Grant	8/8	-	-	3/3
James Smeed	7/8	-	-	3/3
Gregory Bailey	5/8	-	-	1/3
Alan Clarke	6/8	8/8	11/11	2/3
Gregory Jones	6/8	5/8	11/11	2/3
John Spellman	8/8	8/8	-	3/3

QCA Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with Shareholders and other relevant stakeholders

The Group places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair, and accurate. The Group's website is regularly updated, and users can register to be alerted when announcements or details of presentations and events are posted onto the website.

Notices of General Meetings of the Company can be found on: https://www.mfg.im/investor-centre/regulatory-news.

The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken because of resolutions for which votes against have been received from at least 20 per cent of independent Shareholders.

Approval

This report was approved by the Board on 25 March 2024 and signed on its behalf by:

Jim Mellon
Executive Chairman
25 March 2024

Directors, Officers and Advisers

Executive Directors

Jim Mellon (67)‡
Executive Chairman

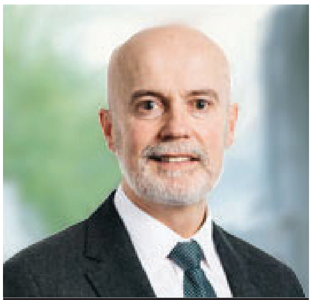
Jim Mellon is a well-known and successful entrepreneur, author and economic commentator, starting his career in fund management and now includes biopharma, property, mining and information technology amongst his many investments. He holds directorships in a number of companies, both quoted and unquoted, including the chairmanship of Juvenescence Limited and being an executive director of Agronomics Limited. He, together with Burnbrae Group Limited, of which he is the beneficial owner, hold a 18.83% shareholding of Manx Financial Group PLC. He is the founder, principal shareholder and chairman of the Endurance RP Limited, quoted on the Hong Kong Stock Exchange.

Appointment
Appointed to the Board on 2 November 2007 and Executive Chairman on 12 February 2009.

Denham Eke (72)‡
Executive Vice Chairman

Denham Eke is the Managing Director of Burnbrae Group Limited, a private international asset management company. He began his career in stockbroking with Sheppards & Chase before moving into corporate planning for Hogg Robinson plc, a major multinational insurance broker. He is a director of many years standing of both public and private companies involved in the financial services, property, mining, and manufacturing sectors.

Appointment
Appointed to the Board on 2 November 2007 and Executive Vice Chairman on 3 November 2021.



Douglas Grant (59)‡
Chief Executive Officer

Douglas Grant has over 40 years' experience working in finance, initially with Scottish Power, before moving to the industrial sector to work with ICI and then Allenwest. Prior to joining Manx Financial Group PLC, he was finance director of various UK and Isle of Man private sector companies and has extensive capital markets experience. He is a professionally qualified banker with an executive MBA.

Appointment
Appointed to the Board on 14 January 2010 and Chief Executive Officer on 3 November 2021.

James Smeed (39)‡
Group Finance Director

James Smeed has over 15 years' financial services experience, having started his career with KPMG in audit and assisting in transaction services. He joined the Group in August 2012 as Group Head of Finance and was appointed to the Bank's Board as Finance Director in 2017. He is both a Chartered Accountant and a Chartered Tax Adviser and Treasurer of the Isle of Man Bankers Association.

Appointment
Appointed to the Board as Group Finance Director on 3 November 2021.

Legend
* Member of the Audit, Risk and Compliance Committee
† Member of the Remuneration Committee
‡ Member of the Nominations Committee

Directors, Officers and Advisers
continued

Non-executive Directors

Alan Clarke (73)‡†*
Independent
Non-executive Director

Alan Clarke is a chartered accountant and former senior partner of Ernst & Young during which time he worked closely with HSBC offshore operations in both the Channel Islands and the Isle of Man. Currently, he specialises in corporate finance and strategic consultancy, advising a variety of both listed and private companies. He holds several non-executive directorships and is a past President of ICAEW Manchester.

Appointment
Appointed to the Board on 2 November 2007. He is Chairman of the Audit, Risk and Compliance Committee and Chairman of the Remuneration Committee.

Gregory Bailey (68)‡
Non-executive Director

Gregory Bailey, founded Palantir Group Inc which made successful investments in bio-tech company start-ups and financings, and is co-founder and currently executive chairman of Juvenescence Ltd, non-executive director of Portage Biotech Inc, a NASDAQ-traded drug development company and non-executive director of NYSE traded Biohaven Ltd. He is also founder and chairman of Chelsea Avondale, a property and casualty insurance and founder and chairman of Culminant Reinsurance. Along with comprehensive experience in finance and healthcare, he has served on many public company boards and brings to the Group an extensive involvement in corporate governance.

Appointment
Appointed to the Board on 7 February 2018.

John Spellman (57)‡*
Independent
Non-executive Director

John Spellman is both a qualified accountant and banker. He spent his early years in banking, fund management and accountancy, specialising in the various parts of the offshore industry before being appointed managing director of Clerical Medical Offshore. He transferred to the UK as chief operating officer within Clerical Medical Financial Services before being appointed managing director of HBoS Financial Services. He has worked with and created a number of successful businesses and has wide experience liaising with government regulators. He has held approved status with the Isle of Man FSA in various roles and has acted as strategic advisor to the Isle of Man government, specialising in finance and foreign direct investment for over 11 years.

Appointment
Appointed to the Board on 4 May 2020. He is Chairman of Conister Bank Limited.

Gregory Jones (65)‡†*
Independent
Non-executive Director

Gregory Jones was called to the UK Bar in 1982 and subsequently joined KPMG Isle of Man where he spent 29 years before retiring in October 2019 as Head of Tax. He currently provides tax advice for a leading Isle of Man based firm of advocates and is a director of a local Corporate Service Provider. He is a member of the Chartered Institute of Taxation.

Appointment
Appointed to the Board 3 November 2021.

Directors, Officers and Advisers
continued

Company Secretary

Lesley Crossley (56)
Company Secretary

Lesley Crossley is a Fellow of The Chartered Governance Institute (UK & Ireland) and an Associate of the Chartered Insurance Institute. Lesley has over 35 years of wide-ranging experience in the financial services industry both in the UK and the Isle of Man and has held the position of Company Secretary with a number of Isle of Man, UK and international companies.

Appointment
Re-appointed as the Company Secretary on 2 September 2019 after re-joining the Group. She also held the position from September 2008 to June 2018.

Advisers

Registered Office	Clarendon House Victoria Street, Douglas, Isle of Man IM1 2LN
Registered Agent	CW Corporate Services Limited Bank Chambers, 15-19 Athol Street Douglas, Isle of Man IM1 1LB
Legal Advisers	As to Isle of Man law Long & Co Limited Eyreton, Quarterbridge Road Douglas, IM2 3RF As to English law Hill Dickinson LLP The Broadgate Tower, 20 Primrose Street London EC21 2EW
Independent Auditor	KPMG Audit LLC Heritage Court, 41 Athol Street Douglas, Isle of Man IM1 1LA
Principal Banker	National Westminster Bank plc 250 Bishopsgate London EC2M 4AA
Consulting Actuaries	Boal & Co Ltd Marquis House Isle of Man Business Park Douglas Isle of Man IM2 2QZ
Nominated Advisor and Broker	Beaumont Cornish Building 3 Chiswick Park 566 Chiswick High Road London W4 5YA
Registrar	Computershare Investor Services (Jersey) Limited 13 Castle Street, St Helier, Jersey JE1 1ES
Presentation of Annual Report and Accounts	Presented here are the Annual Report and Accounts of Manx Financial Group PLC.
Company Information	The Annual and Interim Reports, along with other supplementary information of interest to Shareholders, are included on its website. The address of the website is www.mfg.im which includes investor relations information and contact details.

Audit, Risk and Compliance Committee

Dear Shareholders

I am pleased to set out below an account of the ARCC's role and activities during 2023 and up to the date of publication of this Annual Report.

Membership

Members of the ARCC are appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the Chairman of the Committee. The Committee shall be made up of at least 2 members. All members of the Committee shall be Non-executive Directors and at least one of whom shall have recent and relevant financial experience with a professional qualification from one of the professional accountancy bodies. The Chairman of the Board shall not be a member of the Committee.

Appointments to the Committee shall be for a period of up to 3-years, which may be extended by the Board for a further 3-year period (or, in exceptional circumstances, two further 3-year periods), provided the Director remains independent. The Board may approve annual extensions to any Director who has served 3 consecutive terms.

The Board shall appoint the Chairman of the Committee who shall be a Non-executive Director. In the absence of the Chairman of the Committee and / or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

The Committee shall meet at least six times a year. Of these, two will be held to review the annual and interim financial statements. Outside of the formal meeting programme, the Chairman of the Committee will maintain a dialogue with key individuals involved in the Company's governance.

Members	Appointed	Number of meetings attended
Alan Clarke (Chairman)	2 February 2008	8/8
Gregory Jones	3 November 2021	5/8
John Spellman	4 May 2020	8/8

Only members of the Committee have the right to attend Committee meetings. However other individuals may be invited by the Chairman of the Committee to attend all or part of any meeting as and when appropriate.

The ARCC holds separate meetings with Internal Audit, Risk and Compliance and our External Auditor, KPMG Audit LLC.

The Chairman of the Board, the Executive Directors and management may be invited to meetings of the ARCC but are excluded from the separate meetings held between the ARCC and the External Auditor.

Execution of functions

The ARCC has executed its duties and responsibilities during the year in accordance with its terms of reference as it relates to auditor independence, assisting the Board in its evaluation of its control environment and internal controls including information systems and accounting practices.

Due to its adoption of the QCA Corporate Governance standard, the Committee reassessed the adequacy of its terms of reference and its function bearing in mind the requirements of this standard.

During the year under review, the Committee considered among other matters, the following:

Financial reporting and annual financial statements:

- Considered the annual financial statements with the External Auditor, Executive Directors and management and reviewed the appropriateness of significant judgements, estimates and accounting policies;
- Reviewed and recommended to the Board for adoption:
  - Unaudited condensed interim results for the period-ended 30 June 2023;
  - The Bank's ICAAP for 2022;
  - Audited MFG PLC Group and subsidiary annual financial statements for the year-ended 31 December 2023; and
- Discussed any significant and unusual accounting matters including key audit matters identified by the External Auditor.

External audit:

- Monitored and assessed the independence of the External Auditor based on reports received and inquiries made into work performed;
- Determined the nature and extent of non-audit services performed by the External Auditor;
- Reviewed and assessed the significance of non-audit fees compared to audit fees;
- Reviewed and agreed the external audit plan in advance for the year-end audit which set out the scope of audit, significant risks, areas of audit focus and audit timetable;
- Tendering process as part of the external audit process;

Audit, Risk and Compliance Committee
continued

- Received a presentation from the External Auditor on the findings from their execution of the audit plan; and
- Satisfied itself as to the experience and independence of the engagement partner.

Internal audit:

- Reviewed and approved the Internal Audit plan;
- Reviewed Internal Audit's findings including the design and operating effectiveness of the internal control environment and control activities; and
- Reviewed Internal Audit's findings on the adequacy and reliability of management information.

Risk and compliance:

- Assessed the effectiveness of the Group Risk and Compliance function;
- Reviewed the Group Risk and Compliance department findings on the effectiveness of the Group's regulatory controls;
- Recommended a revision of the Risk and Compliance policies for Board approval; and
- Recommended a revision of the Internal Capital Adequacy Assessment Process for Board approval.

External Auditor's independence

KPMG Audit LLC has been the Group's external auditor since 2007.

Consideration was given to the non-audit work performed by the External Auditor. The ratio of non-audit fees to audit fees for the year was 0.05 to 1 (2022: 0.03 to 1). Non-audit services related to tax advisory services. Services were performed by a separate team to the audit team to safeguard against the self-review threat to independence.

The ARCC obtained assurance from the External Auditor that internal governance processes within KPMG Audit LLC support and demonstrate its claim of independence. This assurance was provided through the receipt of an ISA (UK) 260 letter.

The ARCC is satisfied with the independence of KPMG Audit LLC and is recommending that KPMG Audit LLC be reappointed as the Group's auditor at the 2024 Annual General Meeting.

Key accounting matters

The ARCC considered key accounting matters in relation to the Group's financial statements and disclosures. The primary areas in relation to 2023 and how they were addressed are detailed below:

Key accounting matter	ARCC response
Loan impairment – wholesale funding and individual finance agreements	
The entity is required by the financial reporting framework to calculate impairment using the expected credit loss model. Impairment is measured on an instrument-by-instrument basis except where instruments are grouped, for impairment to be measured on a collective basis under the expected credit loss model. Loan impairment provisions reflect estimates of the amount and timing of future recoveries which require an assessment of matters such as future economic conditions and the value of collateral. Estimates, by their nature, give rise to a higher risk of material misstatement due to error or fraud. The effect of these matters is that, as part of the External Auditor's risk assessment, they determined that the impairment provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than their materiality for the financial statements as a whole, and possibly many times that amount.	The ARCC satisfied itself that the internal control environment and control activities are appropriately designed and implemented. This was supported by review of Internal and External Audit reports and findings. The ARCC reviewed reports from management on the application of IFRS 9 requirements and key changes to internal processes and controls. The ARCC reviewed the key assumptions used by management such as Loss Given Default, Loss Rates, Probability of Default on a quarterly basis.

Audit, Risk and Compliance Committee
continued

Key accounting matter	ARCC response
Impairment of goodwill and intangible assets	
Goodwill and intangible assets are significant and the estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows for the goodwill impairment test and in performing a review for indicators of impairment for intangible assets. The effect of these matters is that, as part of the External Auditor's risk assessment, they have determined that the value in use of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than their materiality for the financial statements as a whole.	The ARCC satisfied itself that the internal control environment and control activities are appropriately designed and implemented. This was supported by review of Internal and External Audit reports and findings. The ARCC reviewed management's assessment of Goodwill and Intangible Asset impairment and concluded that the recoverable amount is appropriate. (See note 34).
Recoverability of Parent Company's subordinated loans to and investment in subsidiaries	
The carrying value of the Parent Company's investment in subsidiaries and loans and amounts due from Group undertakings represents 97.0% (2022: 94.0%) of the Parent Company's total assets. The assessment of carrying value is not at a high risk of significant misstatement or subject to significant judgement as the carrying value is supported by the audited net asset value of the subsidiaries. However, due to its materiality in the context of the MFG financial statements, the External Auditor considered this to be the area that had the greatest effect on their audit of the Company.	The ARCC is satisfied that the going concern assessment over the Group provides sufficient assurance over the recoverability of the Company's subordinated loans and investment in subsidiaries.

The ARCC has complied with and discharged its responsibilities as set out in its Terms of Reference.

Alan Clarke
Chairman
25 March 2024

Directors' Remuneration Report

Dear Shareholders

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023.

Membership

Members of the Remuneration Committee ("REMCO") are appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee. The Committee shall be made up of at least 2 members. All members of the Committee shall be Non-executive Directors. The Chairman of the Board shall not be a member of the Committee.

Appointments to the Committee shall be for a period of up to 3-years, which may be extended by the Board for a further 3-year period (or, in exceptional circumstances, two further 3-year periods), provided the Director remains independent. The Board may approve annual extensions to any Director who has served 3 consecutive terms.

The Board shall appoint the Chairman of the Committee who shall be a Non-executive Director. In the absence of the Chairman of the Committee and / or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.

Membership	Appointed	Number of meetings attended
Alan Clarke (Chairman)	13 February 2009	11/11
Greg Jones	8 November 2021	11/11

Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited by the Chairman of the Committee to attend all or part of any meeting as and when appropriate.

Areas of focus for 2023

During the year, the Committee considered the following:

- Reviewed the overall pay of Executive Directors;
- Reviewed the non-contractual discretionary annual performance related pay scheme for Group staff;
- Reviewed and approved the provision of RSUs to Group staff;
- Reviewed and approved all new Group staff appointments where gross basic salary exceeded £75,000 (increased from £50,000 in May 2022); and
- Reviewed and approved all changes to terms and conditions of staff where gross basic salary exceeded £75,000 (increased from £50,000 in May 2022).

Remuneration policy

The Group's Remuneration Policy reflects the Group's business strategy and objectives as well as sustained and long-term value creation for Shareholders. In addition, the policy aims to be fair and provide equality of opportunity, ensuring that:

- the Group is able to attract, develop and retain high-performing and motivated employees in the competitive local IOM and wider UK markets;
- employees are offered a competitive remuneration package to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contribution to the success of the Group;
- it reflects the Group's culture and values; and
- there is full transparency of the Group's Remuneration Policy.

In line with the Board's approach, which reflects that adopted within other comparable organisations, the Group's Remuneration Policy provides for the reward of Executive Directors through salaries and other benefits.

Directors' Remuneration Report
continued

Executive Directors' Emoluments

The remuneration for Executive Directors reflects their responsibilities. It comprises basic salary, performance related bonus when this is considered appropriate, and various benefits detailed below.

As with staff generally, whose salaries are subject to annual reviews, basic salaries payable to Executive Directors are reviewed each year with reference to jobs carrying similar responsibilities in comparable financial organisations, market conditions generally and local employment competition in view of the Group's geographical position.

The Group operates a non-contractual discretionary annual performance related pay scheme based on the trading performance of the Group and the individual employee's performance assessed for the period under review in a manner which promotes sound risk management and does not promote excessive risk taking.

The non-contractual discretionary annual performance related pay scheme may be paid in one year but that does not confer any entitlement in future years.

Performance assessments are conducted annually to determine the performance rating of each employee's achievements against a mix of targets set and agreed at the beginning of each year between the employee and their manager. No incentives are paid to employees or executives where the performance rating reflects below an agreed expected level for the role employed.

The non-contractual discretionary annual performance related pay scheme may be disbursed as a cash payment through payroll, share based instruments including RSUs and / or options. An element of deferment to align the interests of the employee to the longer term performance of the Group may also be included.

EAL's Financial Advisors are salaried and commission is calculated on a pre-agreed percentage over target which is typically set at between 2 to 3 times annual gross salary depending on the size of the Financial Advisor's client base and their historical performance. Each Financial Advisor is set objectives at the beginning of the year including a 100% pass in all compliance requirements. Where indemnified commission is paid and the underlying client policy lapses and the commission is clawed back then this is reviewed by an Executive Director in order to monitor trends and is then clawed back from the relevant Financial Advisor.

Where the Group operates contractually guaranteed performance related pay, the contractual conditions must be approved by the REMCO.

Executive Directors' contractual terms

In keeping with current recommended practice, the standard term for Executive Director appointments, which have a contractual notice period, is 6 months.

Non-executive Directors' remuneration

Non-executive Directors do not receive any benefits other than their fees and travelling expenses for which they are reimbursed. The level of fees payable to Non-executive Directors is assessed using benchmarks from a group of comparable financial organisations.

The procedure for determining Director remuneration

The REMCO, comprising two Non-executive Directors, is responsible for setting the remuneration of the Executive Directors. Committee members do not take part in discussions concerning their own remuneration. The basic Non-executive Director fee is set by the Group Chairman and CEO. The Chairman of the Committee reports at the Board meeting following a committee meeting.

Implementation report

It is the view of the Committee that Directors' remuneration awarded across the Group for the year has been in accordance with the Group's stated Remuneration Policy and, on behalf of the Committee I recommend that you endorse this Group report.
An analysis of Directors' emoluments is as follows:

Directors' Remuneration Report
continued

Directors' emoluments

	Remuneration/ Fees £	Performance Related Pay £	Pension £	2023 Total £	2022 Total £
Executives					
Jim Mellon	53,725	–	–	**53,725**	50,000
Denham Eke	64,470	–	–	**64,470**	60,000
Douglas Grant	282,208	75,000	28,221	**385,429**	327,393
James Smeed	168,468	23,500	16,771	**208,739**	187,813
	568,871	98,500	44,992	**712,363**	625,206
Non-executives					
Gregory Bailey	59,496	–	–	**59,496**	25,000
Alan Clarke	54,708	–	–	**54,708**	45,000
Gregory Jones	53,600	–	–	**53,600**	25,000
John Spellman	91,400	–	–	**91,400**	76,675
	259,204	–	–	**259,204**	171,675
Aggregate emoluments	828,075	98,500	44,992	**971,567**	796,881

Approval

This report was approved by the Board of Directors on 25 March 2024 and signed on its behalf by:

Alan Clarke
Chairman of the Remuneration Committee
25 March 2024

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2023.

Principal regulated activities

The principal activities of the Group are the provision of asset and personal finance, investing activities, foreign exchange brokerage services and wealth management.

The Bank, a wholly owned subsidiary of the Company, holds an IOM Class 1(1) deposit taking licence and UK deposit taking licence. Deposits made with the Bank are covered by the Isle of Man Depositors' Compensation Scheme contained in the Banking Business (Compensation of Depositors) Regulations 1991 and the UK FSCS.

The Bank and CFL are authorised by the FCA to conduct brokerage services.

EAL is authorised by the FSA under section 7 of the Financial Services Act 2008 to conduct investment business as a Class 2, sub-classes (3), (6) and (7) licence holder.

Results and dividends

The Group profit before tax for the year was £7,043,000 (2022: £5,211,000).

On 30 May 2023, MFG declared a dividend of £433,000 (2022: £279,200) which could either be taken up in cash or new ordinary shares. 418,948 new shares (2022: 781,349 new shares) were admitted to the Alternative Investment Market ("AIM") at 21,8974 pence per share (2022: 8.0205 pence per share), at a total cost of £91,000 (2022: £62,000).

On 30 November 2023, Douglas Grant, Chief Executive Officer, exercised options over 700,000 ordinary shares of no par value ("New Ordinary Shares") in the Company (the "Options"), at an exercise price of 14 pence per New Ordinary Share, for an aggregate consideration of £98,000 (2022: £nil).

The proposed transfers to and from reserves are as set out in the Statement of Changes in Equity on page 55.

Going Concern

The Group has recognised a profit for the year after taxation of £6,140,000 (2022: £4,674,000). As at the year ended 31 December 2023, the Bank had a total capital ratio of 15.90% (2022: 15.10%) which exceeded the regulatory minimum requirement of 15.29% (2022: 14.0%). The Group has also considered its Internal Capital Adequacy Assessment Process (ICAAP) to assess its future capital and liquidity requirements. Based on these factors, management has a reasonable expectation that the Group has and will continue to have adequate resources to continue in operational existence for a period of at least 12 months from approval of the financial statements.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Share capital

The authorised and issued share capital of the Company are set out in note 29 to the financial statements.

Significant shareholdings

The number of shares held and the percentage of the issued shares which that number represented as of 6 March 2024 are:

	Number	% of issued capital
Lynchwood Nominees Limited[1]	23,316,734	20.07
Jim Mellon[2]	21,748,214	18.72
Gregory Bailey[3]	18,022,674	15.51
Vidacos Nominees Limited	7,082,252	6.10
Interactive Investor Services Nominees Limited	4,589,894	3.95
Island Farms Limited	4,425,644	3.81
Rock Nominees Limited	3,965,003	3.41

Directors and Directors' share interests

The number of shares held by the current Directors is as follows:

	Number 06/03/24	Number 31/12/23	Number 31/12/22
Jim Mellon[2]	**21,748,214**	**21,748,214**	21,669,314
Gregory Bailey	**18,022,674**	**18,022,674**	17,957,290
Douglas Grant	**1,243,129**	**1,243,129**	533,951
Alan Clarke	**55,994**	**55,994**	55,048

1 Lynchwood Nominees Limited holds 17,039,623 Ordinary Shares in trust for Aeternitas Imperium Privatstiftung.

2 Burnbrae Limited holds 19,420,232 Ordinary Shares. Burnbrae Limited is 100% beneficially owned by Jim Mellon. Denham Eke, Executive Vice-Chairman of MFG is also a director of Burnbrae Limited. Vidacos Nominees Limited also holds 2,327,982 Ordinary Shares in trust for Jim Mellon.

3 Vidacos Nominees Limited holds 18,022,674 Ordinary Shares in trust for Gregory Bailey.

Directors’ Report
continued

The number of share options or RSUs held by the current Directors is as follows:

	Number 06/03/24	Number 31/12/23	Number 31/12/22
Douglas Grant	**1,925,000**	**1,925,000**	1,075,000
James Smeed	**475,000**	**475,000**	175,000

Directors’ liability insurance

The Group maintains insurance cover for Directors’ potential liability.

Fixed and intangible assets

The movement in fixed and intangible assets during the year are set out in notes 22 and 23 respectively to the financial statements.

Staff

At 31 December 2023, there were 193 members of staff (2022: 168), of whom 16 were part-time (2022: 13).

Investment in subsidiaries

Investments in the Company’s subsidiaries are disclosed in note 31 to the financial statements.

Auditor

KPMG Audit LLC, being eligible, has expressed its willingness to continue in office.

On behalf of the Board

J Mellon
Executive Chairman
25 March 2024

Financial Statements

In this section

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Isle of Man Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report, to the Members of Manx Financial Group plc

Our opinion is unmodified

We have audited the consolidated financial statements and company financial statements of Manx Financial Group PLC (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated and company statement of financial position as at 31 December 2023, the consolidated and company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements and company financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's and of the Company's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and company financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows:

Key audit matter	The risk	Our response
Impairment of loans and advances to customers - wholesale funding Loans and advances to customers - being wholesale funding arrangements, block discounting facilities and vehicle stocking plan agreements included in note 20 for loans and advances to customers. £70,996,000; (2022: £79,116,000) Impairment provision £nil; (2022: £nil) Expense for the year £nil; (2022: £nil) Refer to page 32 of the Audit, Risk and Compliance Committee Report ("ARCC"), note 4 (Use of Judgements and Estimates - Assumptions and Estimation Uncertainties), note 7(A) (Credit Risk), note 13 (Impairment on Loans and Advances to Customers), note 20 (Loans and Advances to customers), note 42(B) (Financial Risk Management - Credit Risk) and note 44(G)(vi) (Accounting Policy for Impairment of Financial Instruments).	**Basis:** The entity is required by the financial reporting framework to calculate impairment using the expected credit loss model. Impairment is measured on an instrument by instrument basis except where instruments are grouped, for impairment to be measured on a collective basis under the expected credit loss model. Wholesale Funding comprises Block Finance, Wholesale Funding Agreements and Stocking Plans. These books comprise individually significant loan balances and are in the nature of a secured business loan. The security is principally an underlying pool of loans. Loan impairment provisions reflect estimates of the amount and timing of future recoveries which require an assessment of matters such as future economic conditions and the value of collateral.	*Our audit procedures included*: **Internal Controls:** Understood the design and implementation of controls in respect of the origination and monitoring of wholesale funding loans, including borrower due diligence. Understood the design and implementation of controls in respect of the Group's loan impairment process such as the timely recognition of impairment provisions, the completeness and accuracy of reports used in the loan impairment process and management review processes over the calculation of collective and specific provisions.

Independent Auditor's Report, to the Members of Manx Financial Group plc
continued

Key audit matter	The risk	Our response
	Risk: Estimates, by their nature, give rise to a higher risk of material misstatement due to error or fraud. The effect of these matters is that, as part of our risk assessment, we determined that the impairment provision has a high degree of estimation uncertainty, including increased uncertainty from the residual economic impacts of COVID19 as well as the increased financially volatile environment caused by inflation and interest rate pressure, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	**Use of KPMG Specialists:** We involved KPMG specialists to examine the methodology and assumptions of the Group's expected credit loss model and its compliance with the requirements of accounting standards. This included examining the macro-economic variables and scenarios used in the determination of the expected credit loss provisions. **Challenging managements' assumptions and inputs:** We agreed the specific provisions included in the financial statements to the Group's provisioning schedule and vouched that this schedule was correctly extracted from the loans and advances system, including the arrears information. We tested all specific provisions. This included challenging Group's assessment of the specific provision, taking account of such factors as: amount of arrears; compliance with covenant requirements, evaluating collateral, financial standing of the business – by inspecting latest available accounts and status and value of underlying security – by inspecting a sample of security documentation. **Assessing observable inputs:** We challenged the inputs used in collective impairment models by comparison to default and recovery experience across each of the loan finance categories. **Assessing disclosures:** We assessed the adequacy of the Group's disclosures about the degree of estimation uncertainty involved at arriving at the provisions in accordance with the relevant financial reporting framework and specific circumstances of the Group.

Independent Auditor's Report, to the Members of Manx Financial Group plc
continued

Key audit matter	The risk	Our response
Impairment of loans and advances to customers - individual finance agreements Loans and advances to customers - being loan facilities other for wholesale funding included in note 20 for loans and advances to customers. £291,657,000; (2022: £210,191,000) Impairment provision £19,615,000; (2022: £16,177,000) Expense for the year £4,135,000; (2022: 3,990,000) Refer to page 32 of the ARCC Report, note 4 (Use of Judgements and Estimates - Assumptions and Estimation Uncertainties), note 7(A) (Credit Risk), note 13 (Impairment on Loans and Advances to Customers), note 20 (Loans and Advances to customers), note 42(B) (Financial Risk Management - Credit Risk) and note 44(G)(vi) (Accounting Policy for Impairment of Financial Instruments).	**Basis:** The entity is required by the financial reporting framework to calculate impairment using the expected credit loss model. Impairment is measured on an instrument by instrument basis except where instruments are grouped, for impairment to be measured on a collective basis under the expected credit loss model. Individual finance agreements include hire purchase finance leases and unsecured loans to individuals and companies. Any security is typically the specific assets financed. Loan impairment provisions reflect estimates of the amount and timing of future recoveries which require an assessment of matters such as future economic conditions and the value of collateral. **Risk:** Estimates, by their nature, give rise to a higher risk of material misstatement due to error or fraud. The effect of these matters is that, as part of our risk assessment, we determined that the impairment provision has a high degree of estimation uncertainty, including increased uncertainty from the residual economic impacts of COVID19 as well as the increased financially volatile environment caused by inflation and interest rate pressure, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	*Our audit procedures included*: **Internal Controls:** Understood the design and implementation of controls in respect of the origination and approval of loans, including borrower due diligence. Understood the design and implementation of controls in respect of the Group's loan impairment process such as the timely recognition of impairment provisions, the completeness and accuracy of reports used in the loan impairment process and management review processes over the calculation of collective and specific provisions. **Use of KPMG Specialists:** We involved KPMG specialists to examine the methodology and assumptions of the Group's expected credit loss model and its compliance with the requirements of accounting standards. This included examining the macro-economic variables and scenarios used in the determination of the expected credit loss provisions. **Challenging managements' assumptions and inputs:** We agreed the specific provisions included in the financial statements to Group's provisioning schedule and vouched that this schedule was correctly extracted from the loans and advances system, including the arrears information.

Independent Auditor's Report, to the Members of Manx Financial Group plc
continued

Key audit matter	The risk	Our response
		We tested a sample of specific provisions. This included challenging management's assessment of the specific provision, taking into account such factors as: the number of repayments in arrears; the known whereabouts of the borrower and of the assets under finance; and the amounts received under agreed repayment plans, where scheduled repayments under the original agreement are no longer being met. **Assessing observable inputs:** We challenged the inputs used in collective impairment models by comparison to default and recovery experience across each of the loan finance categories. **Assessing disclosures:** We assessed the adequacy of the Group's disclosures about the degree of estimation uncertainty involved at arriving at the provisions in accordance with the relevant financial reporting framework and specific circumstances of the Group

Independent Auditor's Report, to the Members of Manx Financial Group plc
continued

Key audit matter	The risk	Our response
Impairment of goodwill and intangible assets Goodwill £10,576,000; (2022: £10,576,000) Intangible assets £4,268,000; (2022: £2,703,000) Impairment loss on goodwill £nil; (2022: £200,000) Refer to page 33 of the ARCC Report, note 4 (Use of Judgements and Estimates - Assumptions and Estimation Uncertainties), note 23 (Intangible Assets), note 34 (Goodwill), 44(A) (Basis for Consolidation of Subsidiaries and Separate Financial Statements of the Parent Company), note 44(K) (Intangible Assets and Goodwill) and note 44(L) (Impairment of Non-Financial Assets).	**Basis:** Goodwill and intangible assets are significant and the estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows for the goodwill impairment test and in performing a review for indicators of impairment for intangible assets. Goodwill and intangible assets have arisen on the Group's acquisition of businesses including lenders, independent financial advisers and finance brokers, each of which is identified by the Group as a Cash Generating Unit. **Risk:** The effect of these matters is that, as part of our risk assessment, we determined that the value in use of the Cash Generating Units containing goodwill and/or intangible assets has a high degree of estimation uncertainty, including increased uncertainty from the residual economic impacts of COVID19 as well as the increased financially volatile environment caused by inflation and interest rate pressure, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 34) disclose the sensitivity estimated by the Group.	*Our audit procedures included:* **Use of KPMG Specialists:** We involved our own valuation specialists who have tested the reasonableness of the significant assumptions used in particular those relating to the discount rates applied and the valuation method used. **Challenging managements' assumptions and inputs:** Compared the Group's assumptions to externally derived data in relation to key inputs such as projected economic growth and cost inflation. **Indicators of impairment for intangible assets** Analysed latest financial data for the cash generating unit related to the relevant goodwill and intangible asset to assess whether there are any indicators of impairment, such as losses being made or a downturn in sales. **Sensitivity analysis** Performed stress testing of the assumptions noted above to determine the sensitivity of the recoverable amount. **Assessing disclosures:** Assessed the adequacy of the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in the key assumptions used in the valuation of goodwill and intangible assets.

Independent Auditor's Report, to the Members of Manx Financial Group plc
continued

Key audit matter	The risk	Our response
Recoverability of Parent Company's subordinated loans to and investment in subsidiaries Investment in subsidiaries £28,097,000; (2022: £23,597,000) Loans and amounts due from Group undertakings £24,922,000; (2022: £17,635,000) Refer to page 33 of the ARCC report, note 35 (Loans and amounts due from group undertakings) and note 44(A)(v) (Separate Financial Statements of the Company).	**Basis:** The carrying value of the Parent Company's investment in subsidiaries and loans and amounts due from Group undertakings represents 97% (2022: 94%) of the Parent Company's total assets. **Risk:** The assessment of carrying value is not at a high risk of significant misstatement or subject to significant judgement as the carrying value is supported by the audited net asset value of the subsidiaries. However, due to its materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	*Our audit procedures included:* **Tests of detail** Compared the carrying amount of 100% of the Parent Company's investments in subsidiaries and loans and amounts due from Group undertakings with the relevant subsidiaries' and Group undertaking's audited statement of financial position to identify whether their financial position supported the carrying amount of the Parent Company's investments in those subsidiaries and loans and amounts due from Group undertakings, assessing whether those subsidiaries and Group undertakings have historically been profit-making and evaluating budgeted forecasts in line with our knowledge of the respective subsidiaries and the current economic conditions in which those subsidiaries operate.

Our application of materiality and an overview of the scope of our audit

Materiality for the consolidated financial statements as a whole was set at £351,000 (2022: £206,000), determined with reference to a benchmark of group profit before tax of £7,043,000 (2022: £4,120,000), of which it represents approximately 5.0% (2022: 5.0%).

Materiality for the company financial statements as a whole was set at £211,000 (2022: £123,000), determined with reference to a benchmark of the company total assets, of which it represents approximate 0.4% (2022: 0.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the consolidated financial statements as a whole. Performance materiality for the group was set at 75% (2022: 75%) of materiality for the consolidated financial statements as a whole, which equates to £263,000 (2022: £154,000) for the Group and £158,000 (2022: £92,000) for the Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £17,500 (2022: £10,000) for the Group and £10,550 (2022: £6,150) for the Company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

An audit for group reporting purposes was performed by a component auditor at one reporting component in the United Kingdom, Ninkasi Rentals & Finance Limited ("NFRL"), which represents 1% (2022: 2%) of the Group's assets. The audit undertaken for group reporting purposes at the reporting component was performed to materiality levels set by, or agreed with, the group audit team.

Detailed audit instructions were sent to the auditor of NFRL. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team.

Independent Auditor's Report, to the Members of Manx Financial Group plc
continued

Going concern

The directors have prepared the consolidated financial statements and company financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements and company financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group and the Company's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Group and the Company's financial resources or ability to continue operations over this period were:

- the availability of capital to meet operating costs and other financial commitments; and
- the recoverability of financial assets subject to credit risks as a result of economic downturn due to the residual impacts of COVID-19 and the financially volatile environment caused by inflation and interest rate pressures.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in the Directors' report gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements and company financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the consolidated financial statements and company financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Independent Auditor’s Report, to the Members of Manx Financial Group plc
continued

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements and company financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

The Group is subject to laws and regulations that directly affect the consolidated financial statements and company financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements and company financial statements, for instance through the imposition of fines or litigation or impacts on the Group and the Company’s ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Group’s activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements and company financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements and company financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and company financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements and company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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.

We have nothing to report on other matters on which we are required to report by exception

Respective responsibilities

Directors’ responsibilities

As explained more fully in their statement set out on page 40, the directors are responsible for: the preparation of the consolidated financial statements and company financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements and company financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company’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 they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report, to the Members of Manx Financial Group plc
continued

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements and company financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members, as a body

This report is made solely to the Company's members, as a body, in accordance with section 80(C) of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM1 1LA

26 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December	Notes	2023 £000	2022 £000
Interest revenue calculated using the effective interest method		45,356	28,978
Other interest income		1,535	1,765
Interest expense		(14,530)	(6,391)
Net interest income	9	**32,361**	**24,352**
Fee and commission income	10	3,997	4,719
Fee and commission expense	10	(7,327)	(3,569)
Depreciation on leasing assets	22	–	(16)
Net trading income		**29,031**	**25,486**
Other operating income		364	314
Gain / (loss) on financial instruments	19	195	(19)
Realised gain on debt securities	18	1,893	292
Operating income		**31,483**	**26,073**
Personnel expenses	11	(12,170)	(9,764)
Other expenses	12	(6,627)	(5,806)
Provision for impairment on loans and advances to customers	13	(4,135)	(3,990)
Depreciation	22	(825)	(738)
Amortisation and impairment of intangibles	23	(683)	(582)
Share of profit of equity accounted investees, net of tax	30	–	18
Profit before tax payable	14	**7,043**	**5,211**
Income tax expense	15	(903)	(537)
Profit for the year		**6,140**	**4,674**

Consolidated Statement of Profit or Loss and other Comprehensive Income
continued

For the year ended 31 December	Notes	2023 £000	2022 £000
Profit for the year		**6,140**	**4,674**
Other comprehensive income:			
Items that will be reclassified to profit or loss			
Unrealised gain on debt securities	18	324	131
Related tax		(32)	-
Items that will never be reclassified to profit or loss			
Actuarial gain on defined benefit pension scheme taken to equity	28	29	407
Related tax		(3)	–
Other comprehensive income, net of tax		**318**	**538**
Total comprehensive income for the period attributable to owners		**6,458**	**5,212**
Profit attributable to:			
Owners of the Company		5,288	4,331
Non-controlling interests	32	852	343
		6,140	4,674
Total comprehensive income attributable to:			
Owners of the Company		5,606	4,869
Non-controlling interests	32	852	343
		6,458	5,212
Earnings per share – Profit for the year			
Basic earnings per share (pence)	16	4.59	3.77
Diluted earnings per share (pence)	16	3.51	2.93
Earnings per share – Total comprehensive income for the year			
Basic earnings per share (pence)	16	4.86	4.24
Diluted earnings per share (pence)	16	3.71	3.28

The notes on pages 59 to 111 form part of these financial statements.

The Directors believe that all results derive from continuing activities.

Company Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December	Notes	2023 £000	2022 £000
Interest income calculated using the effective interest method		862	522
Dividend income		1,200	1,575
Other income		584	69
Operating income		**2,646**	**2,166**
Personnel expenses	11	(62)	(127)
Administration expenses		(61)	-
Depreciation expense	22	(63)	(65)
Amortisation expense	23	(57)	(2)
Profit before tax payable		**2,403**	**1,972**
Tax payable		-	-
Profit for the year		**2,403**	**1,972**
Total comprehensive income for the year		**2,403**	**1,972**

The notes on pages 59 to 111 form part of these financial statements.

The Directors believe that all results derive from continuing activities.

Consolidated Statement of Financial Position

As at 31 December	Notes	2023 £000	2022 £000
Assets			
Cash and cash equivalents	17	12,107	22,630
Debt securities	18	76,129	40,675
Equity held at Fair Value Through Profit or Loss	33	138	122
Loans and advances to customers	20	362,653	291,475
Trade and other receivables	21	8,227	4,211
Property, plant and equipment	22	6,410	6,714
Intangible assets	23	4,268	2,703
Investment in associates	30	197	155
Goodwill	34	10,576	10,576
Total assets		**480,705**	**379,261**
Liabilities			
Deposits from customers	24	390,421	304,199
Creditors and accrued charges	25	14,409	13,108
Deferred consideration	26	20	262
Loan notes	27	39,317	31,332
Pension liability	28	162	237
Deferred tax liability	15	392	353
Total liabilities		**444,721**	**349,491**
Equity			
Called up share capital	29	19,384	19,195
Profit and loss account		15,544	10,371
Revaluation reserve	22	15	15
Non-controlling interest	32	1,041	189
Total equity		**35,984**	**29,770**
Total liabilities and equity		**480,705**	**379,261**

The financial statements were approved by the Board of Directors on 25 March 2024 and signed on its behalf by:

Jim Mellon
Executive Chairman

Denham Eke
Executive Vice-Chairman

Douglas Grant
Chief Executive Officer

The notes on pages 59 to 111 form part of these financial statements.

Company Statement of Financial Position

As at 31 December	Notes	2023 £000	2022 £000
Assets			
Cash and cash equivalents	17	373	1,761
Trade and other receivables	21	123	562
Amounts due from Group undertakings	35	10,694	9,907
Property, plant and equipment	22	139	201
Intangible assets	23	861	25
Investment in subsidiaries	31	28,097	23,597
Subordinated loans	35	14,228	7,728
Total assets		**54,515**	**43,781**
Liabilities			
Creditors and accrued charges	25	544	440
Amounts due to Group undertakings	35	608	122
Loan notes	27	39,317	31,332
Total liabilities		**40,469**	**31,894**
Equity			
Called up share capital	29	19,384	19,195
Profit and loss account		(5,338)	(7,308)
Total equity		**14,046**	**11,887**
Total liabilities and equity		**54,515**	**43,781**

The notes on pages 59 to 111 form part of these financial statements.

Consolidated and Company Statements of Changes in Equity

Group	Share capital £000	Profit and loss account £000	Revaluation reserve £000	Total £000	Non-controlling interests £000	Total equity £000
	Attributable to owners of the Company					
Balance as at 1 January 2022	19,133	5,781	15	24,929	56	24,985
Profit for the year	-	4,331	-	4,331	343	4,674
Other comprehensive income	-	538	-	538	-	538
Transactions with owners						
Dividends declared	62	(279)	-	(217)	-	(217)
Acquisition of subsidiary with non-controlling interest	-	-	-	-	(210)	(210)
Balance as at 31 December 2022	**19,195**	**10,371**	**15**	**29,581**	**189**	**29,770**
Profit for the year	-	5,288	-	5,288	852	6,140
Other comprehensive income	-	318	-	318	-	318
Transactions with owners						
Dividend declared (see note 29)	91	(433)	-	(342)	-	(342)
Share issue (see note 29)	98	-	-	98	-	98
Balance as at 31 December 2023	**19,384**	**15,544**	**15**	**34,943**	**1,041**	**35,984**

Company	Share capital £000	Profit and loss account £000	Total equity £000
Balance as at 1 January 2022	19,133	(9,001)	10,132
Profit for the year	-	1,972	1,972
Transactions with owners			
Dividends declared (see note 29)	62	(279)	(217)
Balance as at 31 December 2022	**19,195**	**(7,308)**	**11,887**
Profit for the year	–	2,403	2,403
Transactions with owners			
Dividend declared (see note 29)	91	(433)	(342)
Share issue (see note 29)	98	-	98
Balance as at 31 December 2023	**19,384**	**(5,338)**	**14,046**

The notes on pages 59 to 111 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December	Notes	**2023 £000**	2022 £000
Reconciliation of profit before taxation to operating cash flows			
Profit before tax		**7,043**	**5,211**
Adjustments for:			
Depreciation	22	825	754
Amortisation of intangibles	23	683	582
Impairment of loans and advances to customers		4,135	3,990
Net interest income		(34,726)	(26,064)
Realised gains on debt securities		(1,893)	(292)
Share of profit of equity accounted investees	30	-	(18)
Contingent consideration interest expense	6(ii)	4	102
Pension charge included in personnel expenses	28	11	14
(Loss) / gain on financial instruments	19	(195)	19
		(24,113)	(15,702)
Changes in:			
Trade and other receivables		(4,016)	(2,228)
Creditors and accrued charges		1,953	1,436
Net cash flow from trading activities		**(26,176)**	**(16,494)**
Changes in:			
Loans and advances to customers		(75,590)	(56,313)
Deposits from customers		88,116	46,061
Pension contribution	28	(57)	(57)
Cash used in operating activities		**(13,707)**	**(26,803)**

Consolidated Statement of Cash Flows
continued

For the year ended 31 December	Notes	2023 £000	2022 £000
CASH FLOW STATEMENT			
Cash from operating activities			
Cash used in operating activities		(13,707)	(26,803)
Interest received		47,168	30,136
Interest paid		(14,059)	(6,184)
Income taxes paid		(1,337)	(157)
Net cash from / (used in) operating activities		**18,065**	**(3,008)**
Cash flows from investing activities			
Acquisition of property, plant and equipment, excluding right-of-use assets	22	(1,280)	(1,473)
Acquisition of intangible assets	23	(2,248)	(504)
Proceeds from sale of property, plant and equipment	22	759	2,083
Acquisition of subsidiary or associate, net of cash acquired	34	-	(1,785)
(Purchase) / Sale of debt securities		(33,237)	734
Deferred consideration on acquisition of subsidiary	6(ii),26	(67)	(937)
Net cash used in investing activities		**(36,073)**	**(1,882)**
Cash flows from financing activities			
Receipt of loan notes	27	7,985	7,660
Payment of lease liabilities (capital)	37	(256)	(202)
Dividend paid	29	(342)	(217)
Share issue	29	98	-
Net cash from financing activities		**7,485**	**7,241**
Net (decrease) / increase in cash and cash equivalents		(10,523)	2,351
Cash and cash equivalents at 1 January		22,630	20,279
Cash and cash equivalents at 31 December		**12,107**	**22,630**

There are £42,000 of non-cash investing activities with respect to the Group's acquisition of 10.0% shareholding in Lesley Stephen & Co Limited. (see note 30).

The notes on pages 59 to 111 form part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 December	Notes	2023 £000	2022 £000
Reconciliation of profit before taxation to operating cash flows			
Profit before tax		**2,403**	**1,972**
Adjustments for:			
Depreciation	22	63	63
Amortisation	23	57	2
Interest income		(862)	(522)
Dividend income		(1,200)	(1,575)
		461	(60)
Changes in:			
Amounts due from group undertakings		(787)	(3,803)
Trade and other receivables		439	(90)
Creditors and accrued charges		312	100
Amounts due to Group undertakings		486	(4,187)
Cash from / (used in) operating activities		**911**	**(8,040)**
CASH FLOW STATEMENT			
Cash from operating activities			
Cash from / (used) in operating activities		911	(8,040)
Interest received		1,200	522
Dividends received		862	1,575
Net cash from / (used in) operating activities		**2,973**	**(5,943)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1)	-
Acquisition of intangible assets		(893)	(8)
Issue of subordinated loans		(6,500)	-
Increase in investment in group undertakings		(4,500)	-
Net cash used in investing activities		**(11,894)**	**(8)**
Cash flows from financing activities			
Proceeds from issue of loan notes	27	7,985	7,660
Payment of finance lease liabilities		(117)	(99)
Proceeds from issue of shares		98	-
Dividend paid		(433)	(279)
Net cash from financing activities		**7,533**	**7,282**
Net (decrease) / increase in cash and cash equivalents		(1,388)	1,331
Cash and cash equivalents at 1 January		1,761	430
Cash and cash equivalents at 31 December		**373**	**1,761**

The notes on pages 59 to 111 form part of these financial statements.

Notes to the Consolidated and Company Financial Statements

For the year ended 31 December 2023

1. Reporting entity

Manx Financial Group PLC ("Company") is a company incorporated in the Isle of Man. The Company's registered office is at Clarendon House, Victoria Street, Douglas, Isle of Man, IM1 2LN. The consolidated financial statements of the Company for the year ended 31 December 2023 comprise the Company and its subsidiaries ("Group") including Conister Bank Limited (the "Bank"). The Group is primarily involved in the provision of financial services.

The Company's financial statements are the separate financial statements of the Company.

2. Basis of accounting

The consolidated and the separate financial statements of the Company have been prepared in accordance with international accounting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS" or "IFRSs"), on a going concern basis as disclosed in the Directors' Report.

3. Functional and presentation currency

These financial statements are presented in pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. All subsidiaries of the Group have pounds sterling as their functional currency.

4. Use of judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at year-end that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 23 and 34 – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts; and
- Note 44(G)(vi) and Note 7(A) – key assumptions of Expected Credit Loss ("ECL") allowance for loans and advances to customers and assessment of impairment allowances where loans are in default or arrears.

Notes to the Consolidated and Company Financial Statements
continued

5. Financial instruments – Classification

For description of how the Group classifies financial assets and liabilities, see note 44(G)(ii).

The following table provides reconciliation between line items in the statement of financial position and categories of financial instruments.

Group 31 December 2023	Mandatorily at FVTPL £000	Designated as at FVTPL £000	FVOCI – debt instruments £000	FVOCI – equity instruments £000	Amortised cost £000	Total carrying amount £000
Cash and cash equivalents	–	–	–	–	12,107	12,107
Debt securities	–	–	76,129	–	–	76,129
Equity held at Fair Value Through Profit or Loss	–	138	–	–	–	138
Loans and advances to customers	–	–	–	–	362,653	362,653
Trade and other receivables	–	–	–	–	8,227	8,227
Total financial assets	**–**	**138**	**76,129**	**–**	**382,987**	**459,254**
Deposits from customers	–	–	–	–	390,421	390,421
Creditor and accrued charges	–	–	–	–	14,409	14,409
Deferred consideration	–	20	–	–	–	20
Loan notes	–	–	–	–	39,317	39,317
Total financial liabilities	**–**	**20**	**–**	**–**	**444,147**	**444,167**

Group 31 December 2022	Mandatorily at FVTPL £000	Designated as at FVTPL £000	FVOCI – debt instruments £000	FVOCI – equity instruments £000	Amortised cost £000	Total carrying amount £000
Cash and cash equivalents	–	–	–	–	22,630	22,630
Debt securities	–	–	40,675	–	–	40,675
Equity held at Fair Value Through Profit or Loss	–	122	–	–	–	122
Loans and advances to customers	–	–	–	–	291,475	291,475
Trade and other receivables	–	–	–	–	4,211	4,211
Total financial assets	–	122	40,675	–	318,316	359,113
Deposits from customers	–	–	–	–	304,199	304,199
Creditor and accrued charges	–	–	–	–	13,108	13,108
Deferred consideration	–	262	–	–	–	262
Loan notes	–	–	–	–	31,332	31,332
Total financial liabilities	–	262	–	–	348,639	348,901

Notes to the Consolidated and Company Financial Statements
continued

Company 31 December 2023	Mandatorily at FVTPL £000	Designated as at FVTPL £000	FVOCI – debt instruments £000	FVOCI – equity instruments £000	Amortised cost £000	Total carrying amount £000
Cash and cash equivalents	–	–	–	–	373	373
Trade and other receivables	–	–	–	–	123	123
Amounts due from Group undertakings	–	–	–	–	9,613	9,613
Subordinated loans	–	–	–	–	14,228	14,228
Total financial assets	**–**	**–**	**–**	**–**	**24,337**	**24,337**
Creditor and accrued charges	–	–	–	–	453	453
Amounts due to Group undertakings	–	–	–	–	608	608
Loan notes	–	–	–	–	39,317	39,317
Total financial liabilities	**–**	**–**	**–**	**–**	**40,378**	**40,378**

Company 31 December 2022	Mandatorily at FVTPL £000	Designated as at FVTPL £000	FVOCI – debt instruments £000	FVOCI – equity instruments £000	Amortised cost £000	Total carrying amount £000
Cash and cash equivalents	–	–	–	–	1,761	1,761
Trade and other receivables	–	–	–	–	562	562
Amounts due from Group undertakings	–	–	–	–	9,907	9,907
Subordinated loans	–	–	–	–	7,728	7,728
Total financial assets	–	–	–	–	19,958	19,958
Creditor and accrued charges	–	–	–	–	440	440
Amounts due to Group undertakings	–	–	–	–	122	122
Loan notes	–	–	–	–	31,332	31,332
Total financial liabilities	–	–	–	–	31,894	31,894

Notes to the Consolidated and Company Financial Statements
continued

6. Financial instruments – Fair values

For description of the Group's fair value measurement accounting policy, see note 44(G)(v).

The following table shows the carrying amounts and fair values of Group financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Fair value			
31 December 2023	Total £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets measured at fair value					
Debt securities	76,129	–	76,129	–	76,129
Equity held at Fair Value Through Profit or Loss	138	–	–	138	138
	76,267	**–**	**76,129**	**138**	**76,267**
Financial assets not measured at fair value					
Cash and cash equivalents	12,107	–	–	–	–
Loans and advances to customers	362,653	–	–	–	–
Trade and other receivables	8,227	–	–	–	–
	382,987	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value					
Deferred consideration	20	–	–	20	20
	20	**–**	**–**	**20**	**20**
Financial liabilities not measured at fair value					
Deposits from customers	390,421	–	–	–	–
Creditors and accrued charges	14,409	–	–	–	–
Loan notes	39,317	–	–	–	–
	444,147	**–**	**–**	**–**	**–**

	Carrying amount	Fair value			
31 December 2022	Total £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets measured at fair value					
Debt securities	40,675	–	40,675	–	40,675
Equity held at Fair Value Through Profit or Loss	122	–	–	122	122
	40,797	–	40,675	122	40,797
Financial assets not measured at fair value					
Cash and cash equivalents	22,630	–	–	–	–
Loans and advances to customers	291,475	–	–	–	–
Trade and other receivables	4,211	–	–	–	–
	318,316	–	–	–	–
Financial liabilities measured at fair value					
Deferred consideration	262	–	–	262	262
	262	–	–	262	262
Financial liabilities not measured at fair value					
Deposits from customers	304,199	–	–	–	–
Creditors and accrued charges	13,108	–	–	–	–
Loan notes	31,332	–	–	–	–
	348,639	–	–	–	–

All Company financial assets and liabilities carrying amounts are deemed to be reasonable approximation of fair value.

Notes to the Consolidated and Company Financial Statements
continued

Measurement of fair values
i. Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Debt securities	Market comparison / discounted cash flow: The fair value is estimated considering a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets.	Not applicable.	Not applicable.
Equities at Fair Value Through Profit or Loss	Net asset value	Expected net cash flows derived from the entity	The estimated fair value would increase (decrease) if the expected cash flows were higher (lower).
Deferred consideration	Discounted cash flows: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.	Expected cash flows £20,000 (2022: £291,340). Risk-adjusted discount rate 14.0% (2022: 14.0%).	The estimated fair value would increase (decrease) if: -the expected cash flows were higher (lower); or -the risk-adjusted discount rate was lower (higher).

ii. Level 3 recurring fair values
Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	2023 £000	2022 £000
Balance at 1 January	262	1,023
Finance costs	4	102
Net change in fair value (unrealised)	(179)	74
	(175)	176
Payment (note 26)	(67)	(937)
Balance at 31 December	**20**	262

Sensitivity analysis

For the fair value of contingent consideration, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant would have the following effects.

	Profit or loss	
31 December 2023	Increase £000	Decrease £000
Expected cash flows (10.0% movement)	2	(2)
Risk-adjusted discount rate (1.0% movement)	–	–

	Profit or loss	
31 December 2022	Increase £000	Decrease £000
Expected cash flows (10.0% movement)	29	(29)
Risk-adjusted discount rate (1.0% movement)	5	(3)

Notes to the Consolidated and Company Financial Statements
continued

7. Financial risk review

Risk management

This note presents information about the Group's exposure to financial risks and the Group's management of capital. For information on the Group and Company's financial risk management framework, see note 42.

A. Group Credit risk
For definition of credit risk and information on how credit risk is mitigated by the Group, see note 42.

i. Credit quality analysis
Loans and advances to customers
Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in note 44(G)(vi).

An analysis of the credit risk on loans and advances to customers is as follows:

	2023				2022*			
Group	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Grade A	341,953	–	–	341,953	273,332	–	–	273,332
Grade B	–	7,822	3,700	11,522	–	5,006	9,347	14,353
Grade C	–	2	28,791	28,793	391	–	19,576	19,967
Gross value	341,953	7,824	32,491	382,268	273,723	5,006	28,923	307,652
Allowance for impairment	(184)	(6)	(19,425)	(19,615)	(303)	(3)	(15,871)	(16,177)
Carrying value	**341,769**	**7,818**	**13,066**	**362,653**	**273,420**	**5,003**	**13,052**	**291,475**

Loans are graded A to C depending on the level of risk. Grade A relates to agreements with the lowest risk, Grade B with medium risk and Grade C relates to agreements with the highest of risk.

The following table sets out information about the overdue status of loans and advances to customers in Stage 1, 2 and 3:

	2023				2022*			
Group 31 December	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Current	333,740	–	–	333,740	269,130	–	–	269,130
Overdue < 30 days	8,213	–	–	8,213	4,593	604	–	5,197
Overdue > 30 days	–	7,825	32,490	40,315	–	4,402	28,923	33,325
	341,953	**7,825**	**32,490**	**382,268**	**273,723**	**5,006**	**28,923**	**307,652**

For Stage 3 loans and advances, the Bank holds collateral with a value of £13,410,000 (2022: £12,927,000) representing security cover of 35.0% (2022: 48.0%).

* Please refer to Note 20.

Notes to the Consolidated and Company Financial Statements
continued

Debt securities, cash and cash equivalents

The following table sets out the credit quality of liquid assets:

Group	2023 £000	2022 £000
Government bonds and treasury bills		
Rated A to A+	76,129	40,675
Cash and cash equivalents		
Rated A to A+	12,107	22,630
Trade and other receivables		
Unrated	8,227	4,211
	96,463	**67,516**

The analysis has been based on Standard & Poor's ratings. The above debt securities, cash and cash equivalents are considered to be Stage 1 as there is no evidence of significant deterioration in credit quality and hence no material expected credit loss allowance is observed.

ii. Collateral and other credit enhancements

The Group holds collateral in the form of the underlying assets (typically private and commercial vehicles, plant and machinery) to loan arrangements as security for HP, finances leases, vehicle stocking plans, block discounting, wholesale funding arrangements, integrated wholesale funding arrangements and secured commercial loan balances, which are sub-categories of loans and advances to customers. In addition, the Group will take debentures, mortgages, personal and corporate guarantees, fixed and floating charges on specific assets such as cash and shares.

The terms of enforcing such security can only occur on default, and when realised can only be used to settle the amount of debt and related collection fees. On occasion the Bank may realise a surplus if the defaulting party loses title to the underlying security as part of enforcement. In addition, the commission share schemes have an element of capital indemnified.

As at 31 December 2023, 13.0% of loans and advances had an element of capital indemnification (2022: 4.0%).

At the time of granting credit within the sub-categories listed above, the loan balances due are secured over the underlying assets held as collateral.

At the time of granting credit within the sub-categories listed above, the loan balances due are secured over the underlying assets held as collateral (see note 20 for further details). Collateral is valued at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

For portfolios where the Group has never had a default in its history or has robust credit enhancements such as credit insurance or default indemnities for the entire portfolio, then no IFRS 9 provision is made. At 2023 year-end, 28.0% had such credit enhancements (2022: 29.0%).

Notes to the Consolidated and Company Financial Statements
continued

The following table sets out the principal types of collateral held against different types of financial assets.

Group	2023 %	2022 %	Principal type of collateral held
HP balances	100	100	Property and equipment
Finance lease balances	100	100	Property and equipment
Unsecured personal loans	-	-	None
Vehicle stocking plans	100	100	Motor vehicles
Wholesale funding arrangements	100	100	Floating charges over corporate assets
Block discounting	100	100	Floating charges over corporate assets
Secured commercial loans	100	100	Floating charges over corporate assets
Secured personal loans	100	100	Property
Government backed loans	70 – 100	70 – 100	Government guarantee
Property secured	100	100	Property

There have been no significant changes in the quality of collateral as a result of a deterioration or changes to the Group's collateral policies during the reporting period.

iii. Amounts arising from ECL
Inputs, assumptions and techniques used for estimating impairment
See accounting policy in note 44(G)(vi).

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward looking information.

- A Significant Increase in Credit Risk ("SICR") is always deemed to occur when the borrower is 30 days past due on its contractual payments. If the Group becomes aware ahead of this time of non-compliance or financial difficulties of the borrower, such as loss of employment, avoiding contact with the Group then a SICR has also deemed to occur.
- A receivable is always deemed to be in default and credit-impaired when the borrower is 90 days past due on its contractual payments or earlier if the Group becomes aware of severe financial difficulties such as bankruptcy, individual voluntary arrangements, abscond or disappearance, fraudulent activity or other similar events.

Credit risk grades
The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates. Loans are graded A to C depending on the level of risk. Grade A relates to agreements with the lowest risk, Grade B with medium risk and Grade C relates to agreements with the highest of risk.

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Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of the following data:

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants	Internally collected data on customer behaviour – e.g. repayment behaviour	Payment record – this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies	Affordability matrix	Requests for and granting of forbearance
	External data from credit reference agencies, including industry-standard credit scores	Existing forecast changes in business, financial and economic conditions

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significant may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Notes to the Consolidated and Company Financial Statements
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Incorporation of forward-looking information

The Group incorporates forward looking information into the measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses its financial instruments and using an analysis of historical data, has estimated the relationship between macroeconomic variables and credit risk and credit losses. The key drivers for credit risk for corporate, retail and wholesale portfolios include gross domestic product (GDP) growth, unemployment rates and consumer price index (CPI) inflation. The Group estimates each key driver for credit risk over the active forecast period of three years. The table below lists the UK macroeconomic assumption used in the base scenarios over the five year forecast period:

31 December 2023	2024	2025	2026	2027	2028
GDP growth rate	0.5	1.0	1.3	1.5	1.7
CPI inflation	4.2	2.4	1.8	2.0	2.0
Unemployment rate	4.8	4.9	4.9	4.9	5.0

31 December 2022	2023	2024	2025	2026	2027
GDP growth rate	0.0	0.4	n/a	n/a	n/a
CPI inflation	1.8	0.8	n/a	n/a	n/a
Unemployment rate	n/a	n/a	n/a	n/a	n/a

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 8 years.

Changes to ECL assumptions from the prior year

As of 31 December 2023, the Group has updated its economic projections utilised in the expected credit loss calculation, shifting from the 2022 figures. This adjustment is prompted by a higher than anticipated inflation and GDP growth rate. Additionally, the forecast duration has been prolonged from two to five years, and an additional key indicator, unemployment rate, has been incorporated.

iv. Concentration of credit risk

Geographical

Lending is restricted to individuals and entities with Isle of Man, UK or Channel Islands addresses.

Segmental

The Bank is exposed to credit risk with regard to customer loan accounts, comprising HP and finance lease balances, unsecured personal loans, secured commercial loans, block discounting, vehicle stocking plan loans and wholesale funding agreements. In addition, the Bank lends via significant introducers into the UK. There was one introducer that accounted for more than 20.0% of the Bank's total lending portfolio at the end of 31 December 2023 (2022: none).

B. Group Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Group, see note 42.

i. Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, net liquid assets includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market.

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	2023	2022
At 31 December	23.0%	20.0%
Average for the year	19.0%	22.0%
Maximum for the year	23.0%	25.0%
Minimum for the year	15.0%	19.0%

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ii. Maturity analysis for financial liabilities and financial assets

The table below shows the Group's financial liabilities classified by their earliest possible contractual maturity, on an undiscounted basis including interest due at the end of the deposit term. Based on historical data, the Group's expected actual cash flow from these items vary from this analysis due to the expected re-investment of maturing customer deposits.

Residual contractual maturities of financial liabilities as at the reporting date (undiscounted):

31 December 2023	Sight- 8 days £000	>8 days - 1 month £000	>1 month - 3 months £000	>3 months - 6 months £000	>6 months - 1 year £000	>1 year - 3 years £000	>3 years - 5 years £000	>5 years £000	Total £000
Deposits	17,261	13,767	29,718	77,801	122,719	125,205	24,076	–	410,547
Other liabilities	55	257	1,407	6,395	18,997	18,188	13,108	554	58,961
Total liabilities	**17,316**	**14,024**	**31,125**	**84,196**	**141,716**	**143,393**	**37,184**	**554**	**469,508**

31 December 2022	Sight- 8 days £000	>8 days - 1 month £000	>1 month - 3 months £000	>3 months - 6 months £000	>6 months - 1 year £000	>1 year - 3 years £000	>3 years - 5 years £000	>5 years £000	Total £000
Deposits	10,878	6,838	27,346	65,153	104,662	81,670	14,557	–	311,104
Other liabilities	691	116	1,796	3,717	13,196	22,354	6,697	590	49,157
Total liabilities	**11,569**	**6,954**	**29,142**	**68,870**	**117,858**	**104,024**	**21,254**	**590**	**360,261**

The table below shows the carrying amount of the Group's assets and liabilities by their expected maturities.

Expected maturity of assets and liabilities at the reporting date:

31 December 2023	Sight- 8 days £000	>8 days - 1 month £000	>1 month - 3 months £000	>3 months - 6 months £000	>6 months - 1 year £000	>1 year - 3 years £000	>3 years - 5 years £000	>5 years £000	Total £000
Assets									
Cash	12,107	–	–	–	–	–	–	–	12,107
Debt securities	3,499	7,976	28,275	36,379	–	–	–	–	76,129
Loans and advances	17,720	23,854	41,805	42,293	54,800	131,666	49,445	1,070	362,653
Other assets	180	–	–	–	9,580	–	5,057	14,999	29,816
Total assets	**33,506**	**31,830**	**70,080**	**78,672**	**64,380**	**131,666**	**54,502**	**16,069**	**480,705**
Liabilities									
Deposits	16,884	12,750	27,084	74,397	118,029	118,434	22,843	–	390,421
Other liabilities	–	100	1,000	5,800	18,421	16,160	12,265	554	54,300
Total liabilities	**16,884**	**12,850**	**28,084**	**80,197**	**136,450**	**134,594**	**35,108**	**554**	**444,721**

31 December 2022	Sight- 8 days £000	>8 days - 1 month £000	>1 month - 3 months £000	>3 months - 6 months £000	>6 months - 1 year £000	>1 year - 3 years £000	>3 years - 5 years £000	>5 years £000	Total £000
Assets									
Cash	22,630	–	–	–	–	–	–	–	22,630
Debt securities	3,986	7,987	20,785	7,917	–	–	–	–	40,675
Loans and advances	8,038	10,952	27,913	40,730	47,813	106,755	46,176	3,098	291,475
Other assets	122	–	–	–	5,786	–	5,140	13,433	24,481
Total assets	**34,776**	**18,939**	**48,698**	**48,647**	**53,599**	**106,755**	**51,316**	**16,531**	**379,261**
Liabilities									
Deposits	10,878	6,380	26,552	64,251	103,561	78,984	13,593	–	304,199
Other liabilities	650	–	1,500	3,286	12,399	20,627	6,240	590	45,292
Total liabilities	**11,528**	**6,380**	**28,052**	**67,537**	**115,960**	**99,611**	**19,833**	**590**	**349,491**

Notes to the Consolidated and Company Financial Statements
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Company

All the Company's assets (excluding Investment in subsidiaries, Property, plant and equipment, Intangible assets, Investment in subsidiaries and Subordinated loans) are due within one year. The Subordinated loans are due in more than five years.

All the Company's creditors (excluding Loan notes) are due within one year. The maturity profile £12.3 million of loan notes are due within one year, £14.8 million within 3 years and £12.3 million within five years.

iii. Liquidity reserves

The following table sets out the components of the Group's liquidity reserves:

	2023 Carrying amount £000	2023 Fair value £000	2022 Carrying amount £000	2022 Fair value £000
Balances with other banks	12,107	12,107	22,630	22,630
Unencumbered debt securities	76,129	76,129	40,675	40,675
Total liquidity reserves	**88,236**	**88,236**	63,305	63,305

C. Group Market risk

For the definition of market risk and information on how the Group manages the market risks of trading and non-trading portfolios, see note 42.

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

	Market risk measure		
31 December 2023	Carrying amount £000	Trading portfolios £000	Non-trading portfolios £000
Assets subject to market risk			
Debt securities	76,129	–	76,129
Equity held at Fair Value Through Profit or Loss	138	–	138
Total	**76,267**	**–**	**76,267**

	Market risk measure		
31 December 2022	Carrying amount £000	Trading portfolios £000	Non-trading portfolios £000
Assets subject to market risk			
Debt securities	40,675	–	40,675
Equity held at Fair Value Through Profit or Loss	122	–	122
Total	40,797	–	40,797

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i. Exposure to interest rate risk

The following tables present the interest rate mismatch position between assets and liabilities over the respective maturity dates. The maturity dates are presented on a worst-case basis, with assets being recorded at their latest maturity and deposits from customers at their earliest.

31 December 2023	Sight-1 month £000	>1 month - 3 months £000	>3 months - 6 months £000	>6 months - 1 year £000	>1 year - 3 years £000	>3 years - 5 years £000	>5 years £000	Non-Interest Bearing £000	Total £000
Assets									
Cash & cash equivalents	12,107	–	–	–	–	–	–	–	12,107
Debt securities	11,475	28,275	36,379	–	–	–	–	–	76,129
Loans and advances to customers	41,574	41,805	42,293	54,800	131,666	49,445	1,070	–	362,653
Other assets	–	–	–	–	–	–	–	29,816	29,816
Total assets	**65,156**	**70,080**	**78,672**	**54,800**	**131,666**	**49,445**	**1,070**	**29,816**	**480,705**
Liabilities and equity									
Deposits from customers	29,634	27,084	74,397	118,029	118,434	22,843	–	–	390,421
Other liabilities	100	1,000	5,800	5,370	16,160	12,265	162	13,443	54,300
Total equity	–	–	–	–	–	–	–	35,984	35,984
Total liabilities and equity	**29,734**	**28,084**	**80,197**	**123,399**	**134,594**	**35,108**	**162**	**49,427**	**480,705**
Interest rate sensitivity gap	35,422	41,996	(1,525)	(68,599)	(2,928)	14,337	908	(19,611)	–
Cumulative	**35,422**	**77,418**	**75,893**	**7,294**	**4,366**	**18,703**	**19,611**	**–**	**–**

31 December 2022	Sight-1 month £000	>1 month - 3 months £000	>3 months - 6 months £000	>6 months - 1 year £000	>1 year - 3 years £000	>3 years - 5 years £000	>5 years £000	Non-Interest Bearing £000	Total £000
Assets									
Cash & cash equivalents	22,630	–	–	–	–	–	–	–	22,630
Debt securities	11,973	20,785	7,917	–	–	–	–	–	40,675
Loans and advances to customers	18,990	27,913	40,730	47,813	106,755	46,176	3,098	–	291,475
Other assets	–	–	–	–	–	–	–	24,481	24,481
Total assets	53,593	48,698	48,647	47,813	106,755	46,176	3,098	24,481	379,261
Liabilities and equity									
Deposits from customers	17,258	26,552	64,251	103,561	78,984	13,593	–	–	304,199
Other liabilities	650	1,500	3,286	905	20,627	6,240	237	11,847	45,292
Total equity	–	–	–	–	–	–	–	29,770	29,770
Total liabilities and equity	17,908	28,052	67,537	104,466	99,611	19,833	237	41,617	379,261
Interest rate sensitivity gap	35,685	20,646	(18,890)	(56,653)	7,144	26,343	2,861	(17,136)	–
Cumulative	35,685	56,331	37,441	(19,212)	(12,068)	14,275	17,136	–	–

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The Bank monitors the impact of changes in interest rates on interest rate mismatch positions using a method consistent with the FSA required reporting standard. The methodology applies weightings to the net interest rate sensitivity gap in order to quantify the impact of an adverse change in interest rates of 2.0% per annum (2022: 2.0%). The following tables set out the estimated total impact of such a change based on the mismatch at the reporting date:

31 December 2023	Sight-1 month £000	>1 month - 3 months £000	>3 months - 6 months £000	>6 months - 1 year £000	>1 year - 3 years £000	>3 years - 5 years £000	>5 years £000	Non-Interest Bearing £000	Total £000
Interest rate sensitivity gap	35,422	41,996	(1,525)	(68,599)	(2,928)	14,337	908	(19,611)	–
Weighting	0.000	0.003	0.007	0.014	0.027	0.054	0.115	–	–
	–	**126**	**(11)**	**(960)**	**(79)**	**774**	**104**	**–**	**(46)**

31 December 2022	Sight-1 month £000	>1 month - 3 months £000	>3 months - 6 months £000	>6 months - 1 year £000	>1 year - 3 years £000	>3 years - 5 years £000	>5 years £000	Non-Interest Bearing £000	Total £000
Interest rate sensitivity gap	35,685	20,646	(18,890)	(56,653)	7,144	26,343	2,861	(17,136)	–
Weighting	0.000	0.003	0.007	0.014	0.027	0.054	0.115	–	–
	–	62	(132)	(793)	193	1,423	329	–	1,082

D. Group Capital Management

i. Regulatory capital

MFG and its subsidiaries maintain sufficient capital stock to cover risks inherent in their principal operating activities. The lead regulator of the Group's wholly owned subsidiary, the Bank, is the FSA. The FSA sets and monitors capital requirements for the Bank. The Bank maintains a capital base to meet the capital adequacy requirements of the FSA. There have been no changes to its approach to capital management from the prior year.

The Bank's regulatory capital consists of the following elements.

- Common Equity Tier 1 ("CET1") capital, which includes ordinary share capital, retained earnings and reserves after adjustment for deductions for goodwill, intangible assets and intercompany receivable.
- Tier 2 capital, which includes qualifying subordinated liabilities and any excess of impairment over expected losses.

The Bank's Tier 1 and Total Capital regulatory ratios stood at 11.52% (2022: 12.20%) and 15.90% (2022: 15.10%) respectively as at 31 December 2023. The Bank complied with all capital requirements externally imposed on it in the year with minimum Tier 1 and Overall Capital ratio of 8.73% (2022: 8.50%) and 15.29% (2022: 14.00%) respectively.

The FSA's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources. The FSA sets individual capital guidance ("ICG") for the Bank in excess of the minimum capital resources requirement. A key input to the ICG setting process is the Bank's internal capital adequacy assessment process ("ICAAP").

The Bank is also regulated by the FCA in the UK for credit and brokerage related activities.

Further details of the Bank's management of capital are described in the Risk Management Report on page 16.

ii. Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements.

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E. Company Financial Risk Review

i. Credit risk

The Company is exposed to credit risk primarily from deposits with banks and from its financing activities of Group entities. These balances include Trade and other receivables, Amounts due from Group undertakings, Investment in subsidiaries and Subordinated loans. Cash balances are held with institutions with a credit rating of A to A+. The Group's primary credit exposure is to the Bank. The Investment in subsidiary and subordinated loan balance counterparties are disclosed in Notes 31 and 35 respectively. Amounts due from Group undertakings relate to balances advanced to the Group's subsidiary (MVL) for the acquisition of other subsidiaries including PAL, BBSL, BLX and NRF. The Group manages its credit risk by ensuring that sufficient resources are allocated to credit management and capital allocation and using reputable financial institutions to hold its cash balances.

ii. Liquidity risk

The value and term of short term assets are monitored against those of the Company's liabilities. The Company maintains sufficient liquid assets to meet liabilities as they fall due either by retaining Interest income from the Subordinated loan, Dividend income from subsidiary companies or raising funds through the issue of Loan notes. Amounts due to / from Group undertakings are unsecured, interest-free and repayable on demand. The capital on subordinated loan notes is repayable to the Company in more than 5 years. £12.3m (2022: £6.1m) of loan notes are repayable within one year.

iii. Market risk

The Company does not have exposure to foreign exchange risk as transactions are made in and balances held in Sterling. The Company has both interest-bearing assets and liabilities. In order to manage interest rate risk, the Companies Subordinated loans and Loan notes are charged exclusively at fixed rates.

8. Operating segments

Segmental information is presented in respect of the Group's business segments. The Directors consider that the Group currently operates in one geographic segment comprising of the Isle of Man, UK and Channel Islands. The primary format, business segments, is based on the Group's management and internal reporting structure. The Directors consider that the Group operates in three (2022: three) product orientated segments in addition to its investing activities: Asset and Personal Finance (including provision of HP contracts, finance leases, personal loans, commercial loans, block discounting, vehicle stocking plans and wholesale funding agreements); Edgewater Associates Limited (provision of financial advice); and MFX Limited (provision of foreign currency transaction services).

For the year ended 31 December 2023	Asset and Personal Finance £000	Edgewater Associates £000	MFX Limited £000	Investing Activities £000	Total £000
Interest revenue calculated using the effective interest method	45,356	–	–	–	45,356
Other interest income	1,535	–	–	–	1,535
Interest expense	(14,538)	–	–	8	(14,530)
Net interest income	**32,353**	**–**	**–**	**8**	**32,361**
Components of Net Trading Income	(6,410)	2,032	1,048	–	(3,330)
Net trading income	**25,943**	**2,032**	**1,048**	**8**	**29,031**
Components of Operating Income	2,450	2	–	–	2,452
Operating Income	**28,393**	**2,034**	**1,048**	**8**	**31,483**
Depreciation	(739)	(22)	(1)	(63)	(825)
Amortisation and impairment of intangibles	(545)	(76)	(5)	(57)	(683)
Share of profit of equity accounted investees, net of tax	–	–	–	–	–
All other expenses	(20,294)	(1,972)	(364)	(302)	(22,932)
Profit / (loss) before tax payable	**6,815**	**(36)**	**678**	**(414)**	**7,043**
Capital expenditure	2,627	6	–	895	3,528
Total assets	**438,916**	**1,578**	**267**	**39,944**	**480,705**
Total liabilities	**418,794**	**279**	**10**	**25,638**	**444,721**

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For the year ended 31 December 2022	Asset and Personal Finance £000	Edgewater Associates £000	MFX Limited £000	Investing Activities £000	Total £000
Interest revenue calculated using the effective interest method	28,978	–	–	–	28,978
Other interest income	1,765	–	–	–	1,765
Interest expense	(6,391)	–	–	–	(6,391)
Net interest income	24,352	–	–	–	24,352
Components of Net Trading Income	(2,696)	2,096	1,734	–	1,134
Net trading income	21,656	2,096	1,734		25,486
Components of Operating Income	587	–	–	–	587
Operating Income	22,243	2,096	1,734	–	26,073
Depreciation	(640)	(31)	(2)	(65)	(738)
Amortisation and impairment of intangibles	(494)	(81)	(5)	(2)	(582)
Share of profit of equity accounted investees, net of tax	–	–	–	18	18
All other expenses	(17,226)	(1,943)	(314)	(77)	(19,560)
Profit / (loss) before tax payable	3,883	41	1,413	(126)	5,211
Capital expenditure	1,794	55	3	1	1,853
Total assets	332,689	2,248	543	43,781	379,261
Total liabilities	316,921	513	163	31,894	349,491

Included in other expenses above is Goodwill impairment of £0.2 million relating to the Edgewater Associates segment (see note 34). All revenues are earned from the entity's one geographic segment. All non-current assets are located in the entity's one geographic segment.

9. Net interest income

	2023 £000	2022 £000
Interest income		
Loans and advances to customers	45,356	28,978
Total interest income calculated using the effective interest method	**45,356**	**28,978**
Operating lease income	1,535	1,765
Total interest income	**46,891**	**30,743**
Interest expense		
Deposits from customers	(12,072)	(4,601)
Loan note interest	(2,361)	(1,610)
Lease liability	(93)	(78)
Contingent consideration: interest expense	(4)	(102)
Total interest expense	**(14,530)**	**(6,391)**
Net interest income	**32,361**	**24,352**

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10. Net fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 – Revenue from Contracts with Customers is disaggregated by major type of services. The table includes a reconciliation of the disaggregated fee and commission income with the Group's reportable segments. See note 44D regarding revenue recognition.

	2023 £000	2022 £000
Major service lines		
Independent financial advice income	2,032	2,096
Foreign exchange trading income	1,049	1,743
Asset and personal finance: Brokerage services income	421	590
Debt collection	495	290
Fee and commission income	**3,997**	**4,719**
Fee and commission expense	(7,327)	(3,569)
Net fee and commission income	**(3,330)**	**1,150**

Fee and commission expense relates to commission paid to Brokerages which introduce new business to the Bank.

11. Personnel expenses

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Staff gross salaries	(9,060)	(7,403)	–	–
Executive Directors' remuneration	(569)	(507)	–	–
Non-executive Directors' fees	(259)	(207)	(62)	(127)
Executive Directors' pensions	(45)	(41)	–	–
Executive Directors' performance related pay	(99)	(68)	–	–
Staff pension costs	(537)	(397)	–	–
National insurance and payroll taxes	(1,134)	(818)	–	–
Staff training and recruitment costs	(354)	(305)	–	–
Equity Settled Restricted Stock Units – key management personnel	(67)	(9)	–	–
Equity Settled Restricted Stock Units – employees	(46)	(9)		
	(12,170)	**(9,764)**	**(62)**	**(127)**

The Company's personnel expenses consist exclusively of Directors remuneration and fees for services rendered to the Company.

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12. Other expenses

	2023 £000	2022 £000
Professional and legal fees	(1,586)	(1,427)
Marketing costs	(452)	(363)
IT costs	(1,534)	(1,210)
Establishment costs	(635)	(366)
Communication costs	(177)	(152)
Travel costs	(319)	(297)
Bank charges	(936)	(314)
Insurance	(338)	(333)
Irrecoverable VAT	(383)	(362)
Other costs	(267)	(782)
Impairment loss on goodwill (See Note 34)	–	(200)
	(6,627)	**(5,806)**

13. Impairment on loans and advances to customers

The charge in respect of allowances for impairment comprises, excluding loss allowances on financial assets managed on a collective basis.

	2023 £000	2022 £000
Impairment allowances made	(6,998)	(7,642)
Release of allowances previously made	2,837	3,612
	(4,161)	**(4,030)**

The credit in respect of allowances for impairment on financial assets managed on a collective basis comprises:

	2023 £000	2022 £000
Collective impairment allowances made	(656)	(244)
Release of allowances previously made	682	284
Total credit for allowances for impairment on financial assets managed on a collective basis	**26**	40
Total charge for allowances for impairment	**(4,135)**	**(3,990)**

14. Profit before tax payable

The profit before tax payable for the year is stated after charging:

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Group's financial statements	(85)	(78)	(58)	(54)
Other fees payable to the Company's auditor:	(4)	(11)	–	–
Audit of the Company's subsidiary undertakings	(221)	(197)	–	–
Other assurance service fees	(10)	(6)	–	–
Other services – tax compliance	(4)	(4)	–	–
Pension cost defined benefit scheme	(11)	(14)	–	–
Expenses relating to short-term leases and low value assets	(81)	(92)	–	–

Notes to the Consolidated and Company Financial Statements
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15. Income tax expense

Group	2023 £000	2022 £000
Current tax expense		
Current year	(899)	(366)
	(899)	(366)
Deferred tax expense		
Origination and reversal of temporary differences	(4)	(171)
Tax expense	**(903)**	**(537)**

Group	%	2023 £000	%	2022 £000
Reconciliation of effective tax rate				
Profit before tax		7,043		5,211
Tax using the Bank's domestic tax rate	(10.0)	(704)	(10.0)	(521)
Effect of tax rates in foreign jurisdictions	(5.9)	(416)	2.1	111
Tax exempt income	3.1	217	–	–
Non deductible expenses	–	–	(2.4)	(127)
Tax expense	**(12.8)**	**(903)**	**(10.3)**	**(537)**

The main rate of corporation tax in the Isle of Man is 0.0% (2022: 0.0%). However, the profits of the Group's Isle of Man banking activities are taxed at 10.0% (2022: 10.0%). The profits of the Group's subsidiaries that are subject to UK corporation tax are taxed at a rate of 25.0% (2022: 19.0%). The Company is subject to 0.0% tax.

The value of tax losses carried forward reduced to nil and there is now a temporary difference related to accelerated capital allowances resulting in a £392,000 liability (2022: £353,000 liability). This resulted in an expense of £171,000 (2022: £171,000) to the Consolidated Income Statement.

16. Earnings per share

	2023	2022
Profit for the year attributable to owners of the Company	**£5,288,000**	**£4,331,000**
Weighted average number of Ordinary Shares in issue (basic)	115,330,589	114,763,883
Basic earnings per share (pence)	4.59	3.77
Diluted earnings per share (pence)	3.51	2.93
Total comprehensive income for the year attributable to owners of the Company	**£5,606,000**	**£4,869,000**
Weighted average number of Ordinary Shares in issue (basic)	115,330,589	114,763,883
Basic earnings per share (pence)	4.86	4.24
Diluted earnings per share (pence)	3.71	3.28

The basic earnings per share calculation is based upon the profit for the year after taxation and the weighted average of the number of shares in issue throughout the year.

Notes to the Consolidated and Company Financial Statements
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As at:	2023	2022
Reconciliation of weighted average number of Ordinary Shares in issue between basic and diluted		
Weighted average number of Ordinary Shares (basic)	115,330,589	114,763,883
Number of shares issued if all convertible loan notes were exchanged for equity	37,916,667	38,225,772
Dilutive element of share options if exercised	2,460,929	830,035
Weighted average number of Ordinary Shares (diluted)	**155,708,185**	**153,819,690**
Reconciliation of profit for the year between basic and diluted		
Profit for the year (basic)	£5,288,000	£4,331,000
Interest expense saved if all convertible loan notes were exchanged for equity	£171,415	£171,415
Profit for the year (diluted)	**£5,459,415**	**£4,502,415**

The diluted earnings per share calculation assumes that all convertible loan notes and share options have been converted / exercised at the beginning of the year where they are dilutive.

As at:	2023	2022
Reconciliation of total comprehensive income for the year between basic and diluted		
Total comprehensive income for the year (basic)	£5,606,000	£4,869,000
Interest expense saved if all convertible loan notes were exchanged for equity	£171,415	£171,415
Total comprehensive income for the year (diluted)	**£5,777,415**	**£5,040,415**

The weighted average number of ordinary shares and earnings per share have been adjusted retrospectively.

17. Cash and cash equivalents

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Cash at bank and in hand	12,107	20,651	373	1,761
Fixed deposit (less than 90 days)	–	1,979	–	–
	12,107	**22,630**	**373**	**1,761**

Cash at bank includes an amount of £1,653,000 (2022: £24,000) representing receipts which are in the course of transmission.

18. Debt securities

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Financial assets at fair value through other comprehensive income:				
UK Government treasury bills	76,129	40,675	–	–
	76,129	**40,675**	**–**	**–**

UK Government Treasury Bills are stated at fair value and unrealised changes in the fair value are reflected in other comprehensive income. There were realised gains of £1,893,000 (2022: £292,000) and unrealised gains of £324,000 (2022: £131,000) during the year.

Notes to the Consolidated and Company Financial Statements
continued

19. Financial assets

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Financial assets at FVOCI:				
(Loss) / gain on Deferred consideration (See note 6(ii))	179	(74)	–	–
Gain on equity instrument	16	55	–	–
	195	**(19)**	**–**	**–**

The Bank acquired a new equity instrument in the previous financial year (see note 33).

20. Loans and advances to customers

	2023			2022		
Group	Gross Amount £000	Impairment Allowance £000	Carrying Value £000	Gross Amount £000	Impairment Allowance £000	Carrying Value £000
HP balances	119,533	(4,143)	115,390	87,142	(4,093)	83,049
Finance lease balances	24,878	(3,050)	21,828	21,513	(3,782)	17,731
Unsecured personal loans	88,647	(10,833)	77,814	49,689	(7,236)	42,453
Vehicle stocking plans	1,973	–	1,973	1,918	–	1,918
Wholesale funding arrangements	21,503	–	21,503	30,904	–	30,904
Block discounting	47,520	–	47,520	46,294	–	46,294
Secured commercial loans	25,788	(516)	25,272	12,753	(595)	12,158
Secured personal loans	1,075	–	1,075	1,867	(90)	1,777
Government backed loans	41,283	(1,073)	40,210	55,572	(381)	55,191
Property secured	10,068	–	10,068	–	–	–
	382,268	**(19,615)**	**362,653**	**307,652**	**(16,177)**	**291,475**

Collateral is held in the form of underlying assets for HP, finance leases, vehicles stocking plans, block discounting, secured commercial and personal loans and wholesale funding arrangements.

Allowance for impairment	**2023 £000**	2022* £000
Balance at 1 January	15,962	8,464
Acquisition	–	5,030
Allowance for impairment made	6,998	7,642
Release of allowances previously made	(2,837)	(3,612)
Write-offs	(697)	(1,562)
Balance at 31 December	**19,426**	**15,962**

Collective allowance for impairment	**2023 £000**	2022 £000
Balance at 1 January	215	255
Collective allowance for impairment made	656	244
Release of allowances previously made	(682)	(284)
Balance at 31 December	189	215
Total allowances for impairment	**19,615**	**16,177**

* The gross value and impairment allowance as at 31 December 2022 has each been adjusted from £305,698k and £14,223k by £1,954,000 to appropriately reflect the gross value and impairment allowances of the loans and advances to customers. The adjustment did not have any impact on the carrying value of the loans and advances to customers nor of the statement of profit or loss or cash flows.

Notes to the Consolidated and Company Financial Statements
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The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance:

	2023 £000	2022 £000
Loans and advances to customers		
Acquisition of subsidiary	–	4,620
Unsecured personal loans originated during the period	**5,551**	–

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity are £nil (2022: £nil).

Advances on preferential terms are available to all Directors, management and staff. As at 31 December 2023 £1,699,794 (2022: £1,228,334) had been lent on this basis. In the Group's ordinary course of business, advances may be made to Shareholders, but all such advances are made on normal commercial terms (see note 36).

At the end of the current financial year 8 loan exposures (2022: 13) exceeded 10.0% of the capital base of the Bank:

Exposure	Outstanding Balance 2023 £000	Outstanding Balance 2022 £000	Facility Limit 2023 £000
Block discounting facility	47,520	68,209	78,088
Wholesale funding agreement	21,503	34,975	26,005

HP and finance lease receivables

Loans and advances to customers include the following HP and finance lease receivables:

	2023 £000	2022 £000
Less than one year	72,372	51,368
Between one and five years	72,039	57,287
Gross investment in HP and finance lease receivables	**144,411**	**108,655**

The investment in HP and finance lease receivables net of unearned income comprises:

	2023 £000	2022 £000
Less than one year	68,767	47,646
Between one and five years	68,451	53,134
Net investment in HP and finance lease receivables	**137,218**	**100,780**

21. Trade and other receivables

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Other debtors	7,730	3,380	–	494
Prepayments	497	831	123	68
	8,227	**4,211**	**123**	**562**

Notes to the Consolidated and Company Financial Statements
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22. Property, plant and equipment and right-of-use assets

Group	Buildings and Leasehold Improvements £000	IT Equipment £000	Furniture and Equipment £000	Motor Vehicles[1] £000	Right-of-use assets £000	Total £000
Cost						
As at 1 January 2023	745	603	5,739	196	1,960	9,243
Additions	93	127	941	119	–	1,280
Disposals	–	–	(787)	(98)	–	(885)
As at 31 December 2023	838	730	5,893	217	1,960	9,638
Accumulated depreciation						
As at 1 January 2023	443	456	1,160	85	385	2,529
Charge for year	40	97	427	39	222	825
Disposals	–	–	(98)	(28)	–	(126)
As at 31 December 2023	**483**	**553**	**1,489**	**96**	**607**	**3,228**
Carrying value at 31 December 2023	**355**	**177**	**4,404**	**121**	**1,353**	**6,410**
Carrying value at 31 December 2022	302	147	4,579	111	1,575	6,714

[1] Included in motor vehicles are operating leases with the Group as lessor. Depreciation on leasing assets was £nil (2022: £16,000).

Buildings with an original cost of £160,000 were revalued by independent valuers Vospers Limited to £175,000 on the basis of market value as at 15 September 2021. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The Directors consider the valuation of the buildings as at 31 December 2023 remains £175,000. The carrying amount that would have been recognised had the building been carried under the cost model would be £150,400 (2022: 153,600).

Company	Leasehold Improvements £000	IT Equipment £000	Furniture and Equipment £000	Right-of-use assets £000	Total £000
Cost					
As at 1 January 2023	234	20	18	424	696
Additions	–	1	–	–	1
As at 31 December 2023	**234**	**21**	**18**	**424**	**697**
Accumulated depreciation					
As at 1 January 2023	234	6	11	244	495
Charge for year	–	1	2	60	63
As at 31 December 2023	**234**	**7**	**13**	**304**	**558**
Carrying value at 31 December 2023	–	**14**	**5**	**120**	**139**
Carrying value at 31 December 2022	–	14	7	180	201

Notes to the Consolidated and Company Financial Statements
continued

23. Intangible assets

Group	Customer Contracts £000	Intellectual Property Rights £000	IT Software and Website Development £000	Total £000
Cost				
As at 1 January 2023	2,930	1,245	2,549	6,724
Additions	7	757	1,484	2,248
As at 31 December 2023	**2,937**	**2,002**	**4,033**	**8,972**
Accumulated amortisation				
As at 1 January 2023	1,161	523	2,337	4,021
Charge for year	214	218	251	683
As at 31 December 2023	**1,375**	**741**	**2,588**	**4,704**
Carrying value at 31 December 2023	**1,562**	**1,261**	**1,445**	**4,268**
Carrying value at 31 December 2022	1,769	722	212	2,703

Company	IT Software and Website Development £000	Total £000
Cost		
As at 1 January 2023	31	31
Additions	893	893
As at 31 December 2023	924	924
Accumulated amortisation		
As at 1 January 2023	6	6
Charge for year	57	57
As at 31 December 2023	63	63
Carrying value at 31 December 2023	861	861
Carrying value at 31 December 2022	**25**	**25**

24. Deposits from customers

	2023 £000	2022 £000
Retail customers: term deposits	377,899	291,238
Corporate customers: term deposits	12,522	12,961
	390,421	**304,199**

25. Creditors and accrued charges

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Other creditors and accruals	12,623	10,096	453	232
Commission creditors	174	1,398	–	–
Lease liability	1,358	1,614	91	208
Taxation creditors	254	–	–	–
	14,409	**13,108**	**544**	**440**

Notes to the Consolidated and Company Financial Statements
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26. Deferred consideration

Deferred consideration relates to contingent payments due to the sellers on the acquisition of BBSL and BLX respectively.

On the acquisition of BLX on 11 October 2021, the Group agreed that a further conditional consideration of up to £483,663 is payable to the sellers in addition to the cash consideration paid. The total amount payable is contingent on the recovery of certain loans and advances found to be in default at acquisition. The fair value on acquisition date was determined to be £387,000. The Group made a payment of £67,000 (2022: £156,093) to the sellers during the period.

	2023 £000	2022 £000
BLX	20	262
	20	**262**

27. Loan notes

		Group		Company	
	Notes	2023 £000	2022 £000	2023 £000	2022 £000
Related parties					
J Mellon	JM	1,750	1,750	1,750	1,750
Burnbrae Limited	BL	3,200	3,200	3,200	3,200
Culminant Reinsurance Ltd	CR	1,000	1,000	1,000	1,000
		5,950	5,950	5,950	5,950
Unrelated parties	**UP**	**33,367**	**25,382**	**33,367**	**25,382**
		39,317	**31,332**	**39,317**	**31,332**

JM – Two loans, one loan of £1,250,000 maturing on 26 February 2025 with interest payable of 5.4% per annum, convertible to ordinary shares of the Company at a rate of 9.0 pence, one of £500,000 maturing on 31 July 2027, paying interest of 7.5% per annum and convertible to ordinary shares of the Company at a rate of 8.0 pence.

BL – Three loans, one of £1,200,000 maturing on 31 July 2027, paying interest of 7.5% per annum, convertible to ordinary shares of the Company at a rate of 8.0 pence, one of £1,000,000 maturing 25 February 2025, paying interest of 5.4% per annum, and one of £1,000,000 maturing 28 September 2025 paying interest of 6.0% per annum. Jim Mellon is the beneficial owner of BL and Denham Eke is also a director.

CR – One loan consisting of £1,000,000 maturing on 12 October 2025, paying interest of 6.0% per annum. Greg Bailey, a director, is the beneficial owner of CR.

UP – Forty loans (2022: Forty), the earliest maturity date is 22 January 2024 and the latest maturity is 10 October 2028. The average interest payable is 5.87% (2022: 5.52%).

With respect to the convertible loans, the interest rate applied was deemed by the Directors to be equivalent to the market rate at the time with no conversion option.

28. Pension liability

The Conister Trust Pension and Life Assurance Scheme ("Scheme") operated by the Bank is a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary. The Scheme is closed to new entrants and the last active member of the Scheme left pensionable service in 2011.

The Scheme is approved in the Isle of Man by the Assessor of Income Tax under the Income Tax (Retirement Benefit Schemes) Act 1978 and must comply with the relevant legislation. In addition, it is registered as an authorised scheme with the FSA in the Isle of Man under the Retirement Benefits Scheme Act 2000. The Scheme is subject to regulation by the FSA but there is no minimum funding regime in the Isle of Man.

Notes to the Consolidated and Company Financial Statements
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The Scheme is governed by two corporate trustees, Conister Bank Limited and Boal & Co (Pensions) Limited. The trustees are responsible for the Scheme's investment policy and for the exercise of discretionary powers in respect of the Scheme's benefits.

Exposure to risk

The Company is exposed to the risk that additional contributions will be required in order to fund the Scheme as a result of poor experience. Some of the key factors that could lead to shortfalls are:

- investment performance – the return achieved on the Scheme's assets may be lower than expected; and
- mortality – members could live longer than foreseen. This would mean that benefits are paid for longer than expected, increasing the value of the related liabilities.

In order to assess the sensitivity of the Scheme's pension liability to these risks, sensitivity analysis have been carried out. Each sensitivity analysis is based on changing one of the assumptions used in the calculations, with no change in the other assumptions. The same method has been applied as was used to calculate the original pension liability and the results are presented in comparison to that liability. It should be noted that in practice it is unlikely that one assumption will change without a movement in the other assumptions; there may also be some correlation between some of these assumptions. It should also be noted that the value placed on the liabilities does not change on a straight line basis when one of the assumptions is changed. For example, a 2.0% change in an assumption will not necessarily produce twice the effect on the liabilities of a 1.0% change.

Exposure to risk

No changes have been made to the method or to the assumptions stress-tested for these sensitivity analyses compared to the previous period. The investment strategy of the Scheme has been set with regard to the liability profile of the Scheme. However, there are no explicit asset-liability matching strategies in place.

Restriction of assets

No adjustments have been made to the statement of financial position items as a result of the requirements of IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, issued by IASB's International Financial Reporting Interpretations Committee.

Scheme amendments

There have not been any past service costs or settlements in the financial year ending 31 December 2023 (2022: none).

Funding policy

The funding method employed to calculate the value of previously accrued benefits is the Projected Unit Method. Following the cessation of accrual of benefits when the last active member left service in 2011, regular future service contributions to the Scheme are no longer required. However, additional contributions will still be required to cover any shortfalls that might arise following each funding valuation.

The most recent triennial full actuarial valuation was carried out at 31 March 2022, which showed that the market value of the Scheme's assets was £1,432,000 representing 65.2% of the benefits that had accrued to members, after allowing for expected future increases in earnings. As required by IAS 19: Employee Benefits, this valuation has been updated by the actuary as at 31 December 2023.

The amounts recognised in the Consolidated Statement of Financial Position are as follows:

Total underfunding in funded plans recognised as a liability	2023 £000	2022 £000
Fair value of plan assets	1,359	1,289
Present value of funded obligations	(1,521)	(1,526)
	(162)	**(237)**

Notes to the Consolidated and Company Financial Statements
continued

Movement in the liability for defined benefit obligations	2023 £000	2022 £000
Opening defined benefit obligations at 1 January	1,526	2,230
Benefits paid by the plan	(77)	(75)
Interest on obligations	74	44
Actuarial gain	(2)	(673)
Liability for defined benefit obligations at 31 December	**1,521**	**1,526**

Movement in plan assets	2023 £000	2022 £000
Opening fair value of plan assets at 1 January	1,289	1,543
Interest on plan assets	63	30
Contribution by employer	57	57
Return on plan assets	27	(266)
Benefits paid	(77)	(75)
Closing fair value of plan assets at 31 December	**1,359**	**1,289**

Expense recognised in income statement	2023 £000	2022 £000
Net interest cost recognised in the statement of profit and loss	11	14

Actuarial gain / (loss) recognised in other comprehensive income	2023 £000	2022 £000
Return on plan assets	27	(266)
Actuarial gain on defined benefit obligations	2	673
	29	**407**

Plan assets consist of the following	2023 %	2022 %
Equity securities	45	61
Corporate bonds	20	13
Government bonds	28	21
Cash	2	2
Other	5	3
	100	**100**

The actuarial assumptions used to calculate Scheme liabilities under IAS19 are as follows:

	2023 %	2022 %
Rate of increase in pension in payment:		
Service up to 5 April 1997	–	–
Service from 6 April 1997 to 13 September 2005	3.1	3.1
Service from 14 September 2005	2.1	2.1
Rate of increase in deferred pensions	5.0	5.0
Discount rate applied to scheme liabilities	5.0	5.0
Inflation	3.2	3.2

Notes to the Consolidated and Company Financial Statements
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Life expectancy	2023 %	2022 %
Current pensioner aged 65 (male)	21.3	21.6
Current pensioner aged 65 (female)	23.8	23.9
Future pensioner aged 65 in 10 years (male)	21.8	22.1
Future pensioner aged 65 in 10 years (female)	24.5	24.7

The assumptions used by the actuary are best estimates chosen from a range of possible assumptions, which due to the timescale covered, may not necessarily be borne out in practice.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2023		2022	
Effect in £'000	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(76)	84	(79)	87
Inflation rate (0.5% movement)	20	(18)	18	(20)
Life expectancy (1 year movement)	58	(58)	53	(55)

29. Called up share capital

Ordinary shares of no par value available for issue	Number
At 31 December 2023	**200,200,000**
At 31 December 2022	200,200,000

Issued and fully paid: Ordinary shares of no par value	Number	£000
At 31 December 2023	**116,191,936**	**19,384**
At 31 December 2022	115,072,988	19,195

A. Analysis of changes in financing during the year

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Balance at 1 January	52,141	44,100	50,735	43,113
Issue of loan notes	7,985	7,660	7,985	7,659
Issue of lease liability	–	521	-	-
Issue of shares via scrip dividend	91	62	91	62
Issue of shares	98	–	98	-
Payment of lease liabilities	(256)	(202)	(117)	(99)
Balance at 31 December	**60,059**	**52,141**	**58,792**	**50,735**

The 2023 Group closing balance is represented by £19,384,000 share capital (2022: £19,195,000), £39,317,000 of loan notes (2022: £31,332,000) and £1,358,000 lease liability (2022: £1,614,000).

The 2023 Company closing balance is represented by £19,384,000 share capital (2022: £19,195,000), £39,317,000 of loan notes (2022: £31,332,000) and £91,000 lease liability (2022: £208,000).

B. Dividends

On 30 May 2023, MFG declared a dividend of £433,000 (2022: £279,000) which could either be taken up in cash or new ordinary shares of 418,993 new shares (2022: 781,349 new shares) were admitted to the Alternative Investment Market ("AIM") at 21.8974 pence per share (2022: 8.0205 pence per share), at a total cost of £91,000 (2022: £62,000).

C. Convertible loans

There are three convertible loans totalling £2,950,000 (2022: £2,950,000) (refer to note 27).

Notes to the Consolidated and Company Financial Statements
continued

D. Share options and Restricted Stock Units

i. Issued during the financial year ended 31 December 2023
On 5 July 2022, 27 October 2022 and 29 November 2023 MFG granted Restricted Stock Units ("RSUs") under its 2022 RSU Plan. The Group has issued, in total, RSUs over 4,687,500 ordinary shares representing 4.1% of the issued share capital of the Group, including 2,900,000 to certain directors and 1,787,500 to certain employees. The RSUs will have a 2-year term and are subject to certain vesting conditions based upon an overall growth in profitability. Any RSUs granted will fall away should the recipient leave employment before the 2-year term expires. Should the individual vesting conditions be satisfied at the end of the term, the stock will be exercised at nil cost.

The Group directors who received RSUs are as follows:

- Douglas Grant, Group Chief Executive Officer was issued 1,925,000 RSUs. Including the 1,243,129 Ordinary Shares in the Company he currently owns, he would hold a total of 3,168,129 on a fully diluted basis, being 2.0% of the new issued share capital of the Company; and
- James Smeed, Group Finance Director, was issued 475,000 RSUs. On the same basis, he would hold 0.3% of the new issued share capital of the Company.

The terms and conditions of the grants are as follows: and will be settled by the physical delivery of shares.

Grant date/employees entitled	Number of Units	Contractual life of options
RSUs granted to key employees at 5 July 2022	1,020,000	2 years
RSUs granted to directors at 5 July 2022	1,100,000	2 years
RSUs granted to key employees at 27 October 2022	165,000	2 years
RSUs granted to directors at 27 October 2022	150,000	2 years
RSUs granted to directors and key employees at 29 November 2023	2,252,500	2 years
Total RSUs	**4,687,500**	
Lapsed RSUs	(135,000)	
Remaining RSUs	4,552,500	

The fair value of employee services received in return for restricted stock units granted is based on the fair value of them measured using the Black-Scholes formula. Service related and non-market performance conditions were not taken into account in measuring fair value. The inputs used in measuring the fair values at the grant of the equity-settled restricted stock unit payment plans were as follows.

Fair value of restricted stock units and assumptions	Grant at 5 July 2022	Grant at 27 October 2022	Grant at 29 November 2023
Share price at grant date	8.5 pence	14.0 pence	17.5 pence
Exercise price	nil	nil	nil
Expected volatility * ^	55.14%	107.71%	638.12%
Expected life (weighted average)	2 years	2 years	2 years
Risk-free interest rate (based on government bonds) * ^	1.65%	3.15%	4.43%
Forfeiture rate	0.00%	0.00%	0.00%
Fair value at grant date	**8.5 pence**	**14.0 pence**	**17.5 pence**

^ Based on past 3 years
* Annual rates

The expected volatility is based on both historical average share price volatility and implied volatility derived from traded options over the group's ordinary shares of maturity similar to those of the employee options.

The charge for the year for share options granted was £113,000 (2022: £18,000).

ii. Issued during the financial year ended 31 December 2014
On 23 June 2014, 1,750,000 share options were issued to Executive Directors and senior management within the Group at an exercise price of 14 pence per share.

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The options vest over three years with a charge based on the fair value of 8 pence per option at the date of grant. The period of grant is for 10 years less 1 day ending 22 June 2024, with the condition of three-years continuous employment being met.

Of the 1,750,000 share options issued, 350,000 (31 December 2022: 1,050,000) remain outstanding.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial probability model with the following inputs for each award:

On 30 November 2023, Douglas Grant, Chief Executive Officer, exercised options over 700,000 ordinary shares of no par value ("New Ordinary Shares") in the Company (the "Options"), at an exercise price of 14 pence per New Ordinary Share, for an aggregate consideration of £98,000.

	23 June 2014
Fair value at date of grant	£0.08
Share price at date of grant	£0.14
Exercise price	£0.14
Expected volatility	55.0%
Option life	3
Risk-free interest rate (based on government bonds)	0.5%
Forfeiture rate	33.3%

30. List of associates

Set out below is a list of associates of the Group:

	Group 2023 £000	Group 2022 £000
Payitmonthly Ltd ("PIML")	155	155
Lesley Stephen & Co Limited ("LSC")	42	–
	197	**155**

In August 2018, 30% of the share capital of PIML was acquired for £90,000 consideration. The Group's resulting share of the associate's total comprehensive income during the year was £nil (2022: £18,000).

As part of the Bank providing loan finance to LSC, on 29 June 2023 the Group acquired 10% of its issued share capital for nil consideration. The receipt of the issued share capital is considered to be linked to the loan facilities financed and therefore its term and interest rate implicit in the finance agreement have been used as the basis to discount the fair value of the gratis shares issued.

The Group possesses the capacity to engage in policy-making processes within LSC through its right to designate an individual to attend all board meetings as an observer. Via its representative, the Group also holds the ability to introduce topics for discussion on the agenda, although it doesn't have voting rights in this regard. Moreover, the Group has introduced constraints on LSC's board, effectively preventing specified significant actions from being taken without the Group's consent. The fair value of the financial instrument received has been determined as £42,000 at initial recognition based on the proportionate share of the net asset value of LSC. As part of the transaction, the Group has been granted two warrants to acquire further shares. The first warrant is for 10% of the share capital and the second warrant is for a further 10% of the share capital. The two warrants are exercisable dependent upon the profit before tax achieved by LSC relative to target profit before tax for the relevant financial period. The fair value of the two warrants has been determined to be nil due to the significant uncertainty that exists at acquisition date of achieving such targets. For these reasons the financial instrument is accounted for as an Associate in accordance with IAS 28. The Group's resulting share of the associate's total comprehensive income during the year was £nil (2022: £nil).

Moreover, the Group has introduced constraints on LSC's board, effectively preventing specified significant actions from being taken without the Group's consent.

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The Group continues to obtain information necessary to measure the fair value of the shares obtained. The fair value of the financial instrument received has been provisionally determined as £42,000 at initial recognition based on the proportionate share of the net asset value of LSC. As part of the transaction, the Group has been granted two warrants to acquire further shares. The first warrant is for 10% of the share capital and the second warrant is for a further 10% of the share capital.

The two warrants are exercisable dependent upon the profit before tax achieved by LSC relative to target profit before tax for the relevant financial period. The fair value of the two warrants has been determined to be nil due to the significant uncertainty that exists at acquisition date of achieving such targets.

For these reasons the financial instrument is accounted for as an Associate in accordance with IAS 28.

31. List of subsidiaries

Set out below is a list of direct subsidiaries of the Group:

Carrying value of investments	Nature of Business	31 December 2022 % Holding	Date of Incorporation	**2023 £000**	2022 £000
Conister Bank Limited	Asset and Personal Finance	100	05/12/1935	26,092	21,592
Edgewater Associates Limited	Wealth Management	100	24/12/1996	2,005	2,005
TransSend Holdings Limited	Holding Company	100	05/11/2007	–	–
Manx Ventures Limited	Holding Company	100	15/05/2009	–	–
				28,097	23,597

All subsidiaries are incorporated in the Isle of Man.

Set out below is a list of indirect significant subsidiaries of the Group:

Carrying value of investments	Principal place of business	Country of incorporation	Ownership interest
Conister Finance & Leasing Limited	UK	IOM	100.0%
MFX Limited	IOM	IOM	100.0%
Payment Assist Limited	UK	UK	50.1%
Blue Star Leasing Limited	UK	UK	100.0%
Ninkasi Rentals & Finance Limited	UK	UK	90.0%
The Business Lending Exchange Limited	UK	UK	100.0%

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32. Non-controlling interests in subsidiaries

The following table summarises the information about the Group's subsidiaries that have material NCI, before any intra-group eliminations.

31 December 2023 £000	PAL	NRF	Total
NCI percentage	**49.9%**	**10%**	
Cash and cash equivalents	1,249	369	
Loans and advances to customers	15,965	–	
Trade and other receivables	1,013	1,133	
Property, plant and equipment	–	4,275	
Intangible assets	380	23	
Loans and borrowings	(4,036)	(145)	
Creditors and accrued charges	(12,593)	(4,884)	
Deferred tax	–	(232)	
Net assets	**1,978**	**539**	
Carrying amount of NCI	**987**	**54**	**1,041**
Revenue	10,822	1,478	
Profit	1,700	42	
OCI	–	–	
Total comprehensive income	**1,700**	**42**	
Profit allocated to NCI	848	4	852
OCI allocated to NCI	–	–	–
Operating activities cashflows	973	339	
Investing activities cashflows	(185)	(151)	
Financing activities cashflows	(2,122)	–	
Net (decrease) / increase in cashflows	**(1,334)**	**188**	

31 December 2022 £'000	PAL	NRF	Total
NCI percentage	**49.9%**	**10%**	
Cash and cash equivalents	2,584	219	
Loans and advances to customers	9,818	-	
Trade and other receivables	1,116	941	
Property, plant and equipment	15	4,507	
Intangible assets	251	27	
Loans and borrowings	(3,089)	(4,355)	
Creditors and accrued charges	(10,416)	(628)	
Deferred tax	–	(217)	
Net assets	**279**	**494**	
Carrying amount of NCI	**140**	**49**	**189**
Revenue	3,407	1,660	
Profit	645	207	
OCI	–	–	
Total comprehensive income	**645**	**207**	
Profit allocated to NCI	322	21	343
OCI allocated to NCI	–	–	–
Operating activities cashflows	585	87	
Investing activities cashflows	124	(158)	
Financing activities cashflows	–	(12)	
Net increase / (decrease) in cashflows	**709**	**(83)**	

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33. Financial Instruments

Rivers Finance Group PLC ("RFG")

On 9 June 2021 the Group acquired 10% of the issued share capital of RFG for nil consideration. The receipt of the issued share capital is considered to be a commitment fee receivable by the Group in order to originate loan facilities in aggregate not exceeding £6,250,000 to RFG. The commitment fee is an integral part of the effective interest rate of the associated loan facilities issued to RFG.

The Group is not considered to have a significant influence over RFG as it holds less than a 20% shareholding and is not considered to participate in the policy making decisions of the entity. The 10% shareholding has thus been classified as a financial instrument.

The Group continues to obtain information necessary to measure the fair value of the shares obtained. The fair value of the financial instrument received has been determined as £138,000 (2022: £122,000) based on the proportionate share of the net asset value of RFG. There has been no change to fair value at year-end.

As part of the transaction, the Group has been granted two warrants to acquire further shares. The first warrant is for 5% of the share capital and the second warrant is for a further 5% of the share capital.

The two warrants are exercisable dependent upon the Group's banking subsidiary, the Bank, contracting with RFG, for a larger facility. The fair value of the two warrants has been determined to be nil due to the significant uncertainty that exists at acquisition date and the period end in issuing a further debt facility.

34. Goodwill

Cash generating unit	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
PAL (see below)	4,456	4,456	–	–
EAL	1,649	1,649	–	–
BLX	1,908	1,908	–	–
BBSL	1,390	1,390	–	–
NRFL	678	678	–	–
Manx Collections Limited ("MCL")	454	454	–	–
Three Spires Insurance Services Limited ("Three Spires")	41	41	–	–
	10,576	**10,576**	**–**	**–**

Management has determined that a reasonably possible change in the key assumptions would not result in the carrying amount to exceed the recoverable amount of the following CGU's and accordingly no impairment of goodwill.

Payment Assist Limited ("PAL")

On 16 May 2022, the Group (through MVL) announced that it entered into an agreement to acquire 50.1% of the shares and voting interests in UK focused, point of sale lender PAL for a total consideration of £4.244 million payable in cash. The acquisition was completed in September 2022. In addition to the acquisition, MVL has agreed an option to acquire the remaining 49.9% of Payment Assist for a variable cash consideration of 2 times the average net profit per share at the point of exercise, subject to a maximum of £5 million (the "Option"). The Option can be exercised by MVL at any time for the period until PAL has declared a dividend for the financial year ended 31 December 2026.

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General

The key assumptions used in the estimation of the recoverable amount are set out in this note. The recoverable amount of the CGUs discussed in this note were each based on value in use. The values assigned to key assumptions represents management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

The estimated recoverable amount in relation to the goodwill generated on the purchase of PAL is based on 10-year forecasted cash flow projections and then discounted using a 14.2% (2022: 14.0%) discount factor. The sensitivity of the analysis was tested using additional discount factors of up to 20.0% on single interest income growth rates.

The estimated recoverable amount in relation to the EAL CGU (including also goodwill generated on acquisition of EAL) is based on 10-year forecasted cash flow projections using a 2.0% annual increment, and then discounted using a 13.9% (2022: 14.0%) discount factor. The sensitivity of the analysis was tested using additional discount factors of 15.0% and 20.0% on stable profit levels. An impairment loss on EAL goodwill of £200,000 has been recognised in the prior year.

The estimated recoverable amount in relation to the goodwill generated on the purchase of BLX is based on 10-year forecasted cash flow projections using a 0% annual increment and then discounted using a 14.2% (2022: 14.0%) discount factor. The sensitivity of the analysis was tested using additional discount factors of up to 20.0% on single interest income growth rates.

The estimated recoverable amount in relation to the goodwill generated on the purchase of BBSL is based on 10-year forecasted cash flow projections using a 2% annual increment with a terminal value calculated using a 2.0% growth rate of net income and then discounted using a 14.2% (2022: 14.0%) discount factor. The sensitivity of the analysis was tested using additional discount factors of up to 20.0% on single interest income growth rates.

The estimated recoverable amount in relation to the goodwill generated on the purchase of NRFL is based on 10-year forecasted cash flow projections using a 0% annual increment, and then discounted using a 14.2% (2022: 12.0%) discount factor. The sensitivity of the analysis was tested using additional discount factors of up to 20.0%. On the basis of the above reviews no impairment to goodwill has been made in the current year.

The estimated recoverable amount in relation to the goodwill generated on the purchase of MCL is based on 10-year forecasted cash flow projection using a 2.0% annual increment, and then discounted using a 14.2% (2022: 11.0%) discount factor. The sensitivity of the analysis was tested using additional discount factors up to 20.0%.

The goodwill generated on the purchase of Three Spires has been reviewed at the current year end and is considered adequate given its income streams referred to EAL. Based on the above no impairment to goodwill has been made in the current year.

35. Loans and amounts due from Group undertakings

Amounts due from and to Group undertakings

Amounts due from and to Group undertakings relate to intra-group transactions and are unsecured, interest-free and repayable on demand. The amounts will be settled either through cash or net settlement.

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Subordinated loans

MFG has issued several subordinated loans as part of its equity funding into the Bank and EAL.

Creation	Maturity	Interest rate % p.a.	2023 £000	2022 £000
Conister Bank Limited				
11 February 2014	11 February 2034	7.0	500	500
27 May 2014	27 May 2034	7.0	500	500
9 July 2014	9 July 2034	7.0	500	500
17 September 2014	17 September 2026	7.0	400	400
22 July 2013	22 July 2033	7.0	1,000	1,000
25 October 2013	22 October 2033	7.0	1,000	1,000
23 September 2016	23 September 2036	7.0	1,100	1,100
14 June 2017	14 June 2037	7.0	450	450
12 June 2018	12 June 2038	7.0	2,000	2,000
23 March 2023	23 March 2043	7.0	6,500	–
Edgewater Associates Limited				
21 February 2017	21 February 2027	7.0	150	150
14 May 2017	14 May 2027	7.0	128	128
			14,228	**7,728**

36. Related party transactions

Cash deposits

During the year, the Bank held cash on deposit on behalf of Jim Mellon (Executive Chairman of MFG).
At 31 December total deposits amounted to £4,502 (2022: £94,475), at normal commercial interest rates in accordance with the standard rates offered by the Bank.

Key management remuneration including Executive Directors

	2023 £000	2022 £000
Remuneration – executive Directors	569	516
Remuneration – non-executive Directors	259	172
Performance Related Pay	99	68
Pension	45	41
Equity Settled Restricted Stock Units (see note 11)	**67**	**9**
	1,039	**806**

Employment benefits include gross salaries, performance related pay, employer defined contributions and restricted stock units (See note 29D).

At 31 December 2023, Douglas Grant had three amortising loans outstanding to Conister Bank Limited with capital outstanding of £315,524 (2022: £376,163). The maximum original term of the three loans is 61 months and the average interest is 2.57% (2022: 7.0%). James Smeed had an amortising loan outstanding to Conister Bank with capital outstanding of £10,847 (2022: £15,463). The original term of the loan is 49 months and the average interest is 3.01% (2022: 3.01%). No impairment is held in respect of these amounts.

Intercompany recharges

Various intercompany recharges are made during the course of the year as a result of the Bank settling debts in other Group companies.

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Loan advance to PIML

On 24 May 2018, a £500,000 loan facility was made available to PIML by the Bank in order to provide the finance required to expand its operations. The facility is for 12 months. Interest is charged at commercial rates. At 31 December 2023, £2,677,000 (2022: £1,241,000) had been advanced to PIML. No impairment is held in respect of these amounts. This loan facility is repayable in cash.

Loan advance to Lesley Stephen & Co Limited ("LSC")

A total £10 million loan facility is available to LSC to provide the finance required to expand its operations. Interest is charged at commercial rates. At 31 December 2023, £10 million had been advanced to LSC. As part of a finance arrangement between the Bank and LSC, Manx Ventures Limited ("MVL") (a related entity) acquired a 10% shareholding in RFG. This loan facility is repayable in cash.

Subordinated loans

The Company has advanced £13,950,000 (2022: £7,450,000) of subordinated loans to the Bank and £278,000 (2022: £278,000) to EAL as at 31 December 2023. See note 35 for more details.

37. Leases

A. Leases as lessee

The Group leases the head office building in the Isle of Man. The lease's term is 10 years with an option to renew the lease after that date. Lease payments are renegotiated every 10 years to reflect market rentals.

The Group leases an office unit in the United Kingdom and IT equipment with contract terms of 2 to 3 years. These leases are short-term and / or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

Group	Land and Buildings £000	Total £000
Cost		
As at 1 January 2023	1,960	1,960
Acquisition of subsidiary	–	–
Additions	–	–
As at 31 December 2023	**1,960**	**1,960**
Accumulated depreciation		
As at 1 January 2023	385	385
Charge for the year	222	222
Eliminated on disposals	–	–
As at 31 December 2023	**607**	**607**
Carrying value at 31 December 2023	**1,353**	**1,353**
Carrying value at 31 December 2022	1,575	1,575

For company only right of use asset disclosure, refer to note 22.

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ii. Amounts recognised in profit or loss

	Group		Company	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Interest on lease liabilities	93	78	–	–
Depreciation expense	222	180	60	63
Expenses relating to short-term leases and low-value assets	81	92	–	–

iii. Amounts recognised in statement of cash flows

	Group		Company	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Interest paid	93	78	–	–
Capital paid	256	202	117	99
Total cash outflow for leases	**349**	280	117	99

38. Regulators

Certain Group subsidiaries are regulated by the FSA and the FCA as detailed below.

The Bank and EAL are regulated by the FSA under a Class 1(1) - Deposit Taking licence and Class 2 - Investment Business licence respectively. The Bank is also regulated by the UK's Prudential Regulatory Authority ("PRA") and the UK's Financial Conduct Authority ("FCA").

39. Contingent liabilities

The Bank is required to be a member of the Isle of Man Government Depositors' Compensation Scheme which was introduced by the Isle of Man Government under the Banking Business (Compensation of Depositors) Regulations 1991 and creates a liability on the Bank to participate in the compensation of depositors should it be activated.

The possibility of an outflow of resources embodying economic benefits for all other contingent liabilities of the Group are considered remote and thus do not require separate disclosure.

40. Non-IFRS measures

Non-IFRS measures included in the financial statements include the following:

Measure	Description
Net trading income	Net trading income represents net interest income and contributions from non-interest income activities.
Operating income	Operating income represents net trading income other operating income and gains or losses on financial instruments

41. Subsequent events

There were no subsequent events occurring after 31 December 2023.

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42. Financial risk management

A. Introduction and overview

The Group has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the ARCC, which is responsible for approving and monitoring Group risk management policies. The ARCC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARCC.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, though its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

B. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and investment debt securities. Credit risk includes counterparty, concentration, underwriting and credit mitigation risks.

Management of credit risk

The Bank's Board of Directors created the Credit Committee which is responsible for managing credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessments, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated in line with credit policy;
- Reviewing and assessing credit risk: The Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposures to counterparties, geographies and industries, by issuer, credit rating band, market liquidity and country (for debt securities);
- Developing and maintaining risk gradings to categorise exposures according to the degree of risk of default. The current risk grading consists of 3 grades reflecting varying degrees of risk of default;
- Developing and maintaining the Group's process for measuring ECL: This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - the incorporation of forward-looking information; and

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- Reviewing compliance with agreed exposure limits. Regular reports on the credit quality of portfolios are provided to the Credit Committee which may require corrective action to be taken.

C. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's operations and investments.

Management of liquidity risk
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have enough liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows:

- Funding base: offering six-months to five-year fixed term deposit structure with no early redemption option. This means the Bank is not subject to optionality risk where customers redeem fixed rate products where there may be a better rate available within the market;

- Funding profile: the Bank has a matched funding profile and does not engage in maturity transformation which means that on a cumulative mismatch position the Bank is forecast to be able to meet all liabilities as they fall due;

- Monitoring maturity mismatches, behavioural characteristics of the Group's financial assets and financial liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding;

- Liquidity buffer: the Bank maintains a liquidity buffer of 10.0% of its deposit liabilities, with strict short-term mismatch limits of 0.0% for sight to three months and -5.0% for sight to six months. This ensures that the Bank is able to withstand any short-term liquidity shock; and

- Interbank market: the Bank has no exposure to the interbank lending market. The Bank has no reliance on liquidity via the wholesale markets. In turn, if market conditions meant access to the wholesale funding was constrained as per the 2008 credit crisis, this would have no foreseeable effect on the Bank.

The Bank's liquidity position is monitored daily against internal and external limits agreed with the FSA and according to the Bank's Liquidity Policy. The Bank also has a Liquidity Contingency Policy and Liquidity Contingency Committee in the event of a liquidity crisis or potential liquidity disruption event occurring.

The Treasury department receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed considering both Group-specific events and market-related events (e.g. prolonged market illiquidity).

D. Market risk

Market risk is the risk that of changes in market prices; e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing), will affect the Group's income or value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

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Management of market risks
Overall authority for market risk is vested in the Assets and Liabilities Committee ("ALCO") which sets up limits for each type of risk. Group finance is responsible for the development of risk management policies (subject to review and approval by the ALCO) and for the day-to-day review of their implementation.

Foreign exchange risk
The Bank is not subject to foreign exchange risks and its business is conducted in pounds sterling.

Equity risk
The Group has investment in associates which are carried at cost adjusted for the Group's share of net asset value. The Bank has access to these accounts. The Bank's exposure to market risk is not considered significant given the low carrying amount of the investment.

The Group's does not hold any investments in listed equities.

Interest rate risk
The principal potential interest rate risk that the Bank is exposed to is the risk that the fixed interest rate and term profile of its deposit base differs materially from the fixed interest rate and term profile of its asset base, or basis and term structure risk.

Additional interest rate risk may arise for banks where (a) customers are able to react to market sensitivity and redeem fixed rate products and (b) where a bank has taken out interest rate derivate hedges especially against longer-term interest rate risk, where the hedge moves against the bank. However, neither of these risks apply to the Bank.

Interest rate risk for the Bank is not deemed to be currently material due to the Bank's matched funding profile. Any interest rate risk assumed by the Bank will arise from a reduction in interest rates, in a rising environment due to the nature of the Bank's products and its matched funded profile. The Bank should be able to increase its lending rate to match any corresponding rise in its cost of funds, notwithstanding its inability to vary rates on its existing loan book. The Bank attempts to efficiently match its deposit taking to its funding requirements.

E. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

Management of operational risk
The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The Group has developed standards for the management of operational risk in the following areas:

- Business continuity planning;
- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;

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- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Information technology and cyber risks; and
- Risk mitigation, including insurance where this is cost-effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are reported to the ARCC.

43. Basis of measurement

The financial statements are prepared on a historical cost basis, except for the following material items:

Items	Measurement basis
FVTPL – Trading asset	Fair value
FVOCI – Debt securities	Fair value
Land and buildings	Fair value
Deferred consideration	Fair value
Net defined benefit liability	Fair value of plan assets less the present value of the defined benefit obligation

44. Material accounting policies

There were no new standards, amendments or interpretations issued and made effective during the current year which have had a material impact on the Group. The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2023:

- Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

No significant changes followed the implementation of these standards and amendments.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. New standards and amendments to standards, adopted but not yet effective with an initial application of 1 January 2024:

- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases
- Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants – Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures

Notes to the Consolidated and Company Financial Statements
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The Group has assessed the impact of these amendments and expects they will not have a material impact, when adopted, on the Group Financial Statements.

The Group has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the material accounting policies, the details of which are available on the pages that follow:

A. Basis of consolidation of subsidiaries and separate financial statements of the Company

i. Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Any contingent consideration is measured at fair value at the date of acquisition. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii. Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Non-controlling interests ("NCI")
NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Notes to the Consolidated and Company Financial Statements
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iv. Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

v. Separate financial statements of the Company
In the separate financial statements of the Company, interests in subsidiaries, associates and joint ventures are accounted for at cost less impairment.

B. Interests in equity accounted investees
The Group's interests in equity accounted investees may comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

C. Interest
Interest income and expense are recognised in profit or loss using the effective interest method.

i. Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability. When calculating the effective interest rate for financial assets, the Group estimates future cash flows considering all contractual terms of the financial instruments, including origination fees, loan incentives, broker fees payable, estimated early repayment charges, balloon payments and all other premiums and discounts. It also includes direct incremental transaction costs related to the acquisition or issue of the financial instrument. The calculation does not consider future credit losses.

ii. Amortised cost and gross carrying amount
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

iii. Calculation of interest income and expense
In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

D. Fee and commission income
The Group generates fee and commission income through provision of independent financial advice, insurance brokerage agency, introducer of foreign exchange services and commissions from brokering business finance for small and medium sized enterprises.

Notes to the Consolidated and Company Financial Statements
continued

Independent financial advice and insurance brokerage agency
Income represents commission arising on services and premiums relating to policies and other investment products committed during the year, as well as renewal commissions having arisen on services and premiums relating to policies and other investment products committed during the year and previous years and effective at the reporting date. Income is recognised on the date that policies are submitted to product providers with an appropriate discount being applied for policies not completed. As a way to estimate what is due at the year-end, a "not proceeded with" rate of 10.0% for pipeline life insurance products and 0.0% for non-life insurance pipeline is assumed. Renewal commissions are estimated by taking the historical amount written pro-rata to 3 months.

Other
Income other than that directly related to the loans is recognised over the period for which service has been provided or on completion of an act to which the fee relates.

E. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. As a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and as a result, accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Notes to the Consolidated and Company Financial Statements
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The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor
At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Finance leases and HP contracts
When assets are subject to a finance lease or HP contract, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. HP and lease income is recognised over the term of the contract or lease reflecting a constant periodic rate of return on the net investment in the contract or lease. Initial direct costs, which may include commissions and legal fees directly attributable to negotiating and arranging the contract or lease, are included in the measurement of the net investment of the contract or lease at inception.

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

F. Income tax

Current and deferred taxation
Current taxation relates to the estimated corporation tax payable in the current financial year. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill and temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred taxation is determined using tax rates, and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax is realised. Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Consolidated and Company Financial Statements
continued

G. Financial assets and financial liabilities

i. Recognition and initial measurement
The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments including regular-way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group becomes party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification
Financial assets
On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information provided to management.

Assessment of whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

Notes to the Consolidated and Company Financial Statements
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iii. Derecognition
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

v. Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Notes to the Consolidated and Company Financial Statements
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vi. Impairment
A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.

- An SICR is always deemed to occur when the borrower is 30 days past due on its contractual payments. If the Group becomes aware ahead of this time of non-compliance or financial difficulties of the borrower, such as loss of employment, avoiding contact with the Group then an SICR has also deemed to occur; and
- A receivable is always deemed to be in default and credit-impaired when the borrower is 90 days past due on its contractual payments or earlier if the Group becomes aware of severe financial difficulties such as bankruptcy, individual voluntary arrangement, abscond or disappearance, fraudulent activity and other similar events.

If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Financial instruments in Stage 3 have their ECL measured based on expected credit losses on a lifetime basis.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL
After a detailed review, the Group devised and implemented an impairment methodology in light of the IFRS 9 requirements outlined above noting the following:

- The Group has identified and documented key drivers of credit risk and credit losses its financial instruments and using an analysis of historical data, has estimated the relationship between macroeconomic variables and credit risk and credit losses;
- The ECL is derived by reviewing the Group's loss rate and loss given default over the past 8 years by product and geographical segment; and
- If the Group holds objective evidence through specifically assessing a credit-impaired receivable and believes it will go on to completely recover the debt due to the collateral held and cooperation with the borrower, then no IFRS 9 provision is made.

ECL are probability-weighted estimates of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

Notes to the Consolidated and Company Financial Statements
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Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable date:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or another type of financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In assessing of whether an investment in sovereign debt is credit impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments: generally, as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Notes to the Consolidated and Company Financial Statements
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Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

H. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and deposit balances with an original maturity date of three months or less.

I. Loans and advances

Loans and advances' captions in the statement of financial position include:

- Loans and advances measured at amortised cost (see note 44 (G)). They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- Finance lease receivables (see note 44 (E)).

J. Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation (see below). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings are carried at a revalued amount, being fair value at the date of revaluation less subsequent depreciation and impairment and are revalued annually.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Depreciation and amortisation

Assets are depreciated or amortised on a straight-line basis, so as to write off the book value over their estimated useful lives. The estimated useful lives of property, plant and equipment and intangibles are as follows:

Property, plant and equipment

Leasehold improvements	to expiration of the lease
IT equipment	4 - 5 years
Motor vehicles	2 - 5 years
Furniture and equipment	4 - 10 years
Plant and machinery	5 - 20 years

Notes to the Consolidated and Company Financial Statements
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K. Intangible assets and goodwill

i. Goodwill
Goodwill that arises on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

ii. Software
Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate: that the product is technically feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iii. Other
Intangible assets that are acquired by an entity and having finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with indefinite useful lives that are acquired or built are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not amortised but instead are subject to impairment testing at least annually.

The useful lives of intangibles are as follows:

Customer contracts and lists	to expiration of the agreement
Intellectual property rights	4 years - indefinite
Website development costs	indefinite
IT Software and website development costs	5 years

Included in intellectual property rights is capitalised costs for acquiring a UK Banking licence.

The banking licence is assumed to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate benefits for the business. Costs related to obtaining this asset are held at cost and are not being amortised.

L. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and indefinite useful life intangible assets are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Notes to the Consolidated and Company Financial Statements
continued

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are located.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

M. Employee benefits

i. Long-term employee benefits
Pension obligations
The Group has pension obligations arising from both defined benefit and defined contribution pension plans.

A defined contribution pension plan is one under which the Group pays fixed contributions into a separate fund and has no legal or constructive obligations to pay further contributions. Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The statement of financial position records as an asset or liability as appropriate, the difference between the market value of the plan assets and the present value of the accrued plan liabilities. The defined benefit pension plan obligation is calculated by independent actuaries using the projected unit credit method and a discount rate based on the yield on high quality rated corporate bonds.

The Group's defined contribution pension obligations arise from contributions paid to a Group personal pension plan, an ex gratia pension plan, employee personal pension plans and employee co-operative insurance plans. For these pension plans, the amounts charged to the income statement represent the contributions payable during the year.

ii. Share-based compensation
The Group maintains a share option programme which allows certain Group employees to acquire shares of the Group. The change in the fair value of options granted is recognised as an employee expense with a corresponding change in equity. The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

At each reporting date, the Group revises its estimate of the number of options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The fair value is estimated using a proprietary binomial probability model. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

Notes to the Consolidated and Company Financial Statements
continued

N. Share capital and reserves

Share issue costs
Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

O. Earnings per share ("EPS")

The Group presents basic and diluted EPS data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary Shareholders of MFG by the weighted-average number of Ordinary Shares outstanding during the period. Diluted EPS is determined by adjusting profit or loss that is attributable to Ordinary Shareholders and the weighted-average number of Ordinary Shares outstanding for the effects of all dilutive potential Ordinary Shares, which comprise share options granted to employees.

P. Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the CEO who is the chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results reported to the CEO include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Shareholder Notes

Appendix: Glossary of terms

ALCO	Assets and Liabilities Committee
ARCC	Audit, Risk and Compliance Committee
BBSL	Blue Star Business Solutions Limited
BL	Burnbrae Limited
BLX	The Business Lending Exchange Limited
Bank	Conister Bank Limited
Bank's Board	The Bank's Board of Directors
BOE	Bank of England
BSL	Beer Swaps Limited
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFL	Conister Finance & Leasing Ltd
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
Company	Manx Financial Group PLC
EAL	Edgewater Associates Limited
ECF	ECF Asset finance PLC
ECL	Expected Credit Loss
ESG	Environmental, Social and Governance
EPS	Earnings Per Share
FCA	UK Financial Conduct Authority
Fraud risks	Risk of Material Misstatement Due to Fraud
FSA	Isle of Man Financial Services Authority
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
Group	Comprise the Company and its subsidiaries
HP	Hire Purchase
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
IFA	Independent Financial Advisors
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Interim financial statements	Condensed consolidated interim financial statements
IOM	Isle of Man
ISA	International Standards of Auditing

Appendix: Glossary of terms
continued

JM	Jim Mellon
LSE	London Stock Exchange
MBL	MBL Financial Limited
MCL	Manx Collections Limited
MFG	Manx Financial Group PLC
MFX	Manx FX Limited
MFX.L	Manx Financial Group PLC ticker symbol on the LSE
MVL	Manx Ventures Limited (previously Bradburn Limited)
NEC	Notice of Error Correction
NOMCO	Nomination Committee
NRFL	Ninkasi Rentals & Finance Limited (previously Beer Swaps Limited)
OCI	Other Comprehensive Income
PAL	Payment Assist Limited
PIML	Payitmonthly Limited
QCA	Quoted Companies Alliance
REMCO	Remuneration Committee
RFG	Rivers Finance Group Plc
RMF	Risk Management Framework
SBA	Share Buyback Agreement
Scheme	The Conister Trust Pension and Life Assurance Scheme
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
SR	Southern Rock Insurance Company Limited
Subsidiaries	MFG’s subsidiaries being Bank, BBSL, BLX, CFL, ECF, EAL, MFX, MVL, NRFL
TCF	Treating Customers Fairly
Three Spires	Three Spires Insurance Services Limited
UK	United Kingdom
UP	Unrelated parties

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