



# **Manx Financial Group**

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CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS 2021

# An independent banking group founded in 1935, domiciled in the Isle of Man



Manx Financial Group PLC ("Company" or "MFG") is an AIM-listed company (LSE: MFX.L) which has subsidiaries (together referred to as "Group") 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.

Principal wholly owned subsidiaries:

- Conister Bank Limited
- Conister Finance & Leasing Ltd
- Blue Star Business Solutions Limited
- Edgewater Associates Limited
- Manx FX Limited



Conister Bank Limited ("Bank") is a licensed independent bank, regulated by the Isle of Man Financial Services Authority ("FSA"), the UK's Financial Conduct Authority ("FCA") and is a full member of the Isle of Man's Association of Licensed Banks.

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 Finance & Leasing Ltd ("CFL") is a subsidiary of the Bank. It is a credit broker providing brokerage of 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.



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 market.



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 £375 million (30 June 2020: £336 million, 31 December 2020: £361 million).



Manx FX 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.

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# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CHAIRMAN'S STATEMENT

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### Dear Shareholders

I am pleased to present my half-year report for the period ended 30 June 2021.

The effects of COVID-19 on our various businesses continued to be an issue during the first half of 2021. Against this complex backdrop, it is encouraging to report that the Group's pre-tax profit for the first six months of the year was just over £1.1 million (2020: £1.0 million) - an increase of 13% on the same period last year. Each of our business units is making steady progress and, unless there is a resumption of lockdowns and associated measures - events which I believe to be extremely unlikely, I have great confidence that the 2021 full year will see the Group well on the way to recording the levels of growth and profitability we experienced prior to the onset of this awful pandemic.

### Financial Review

Our operating income showed an increase of 6.2% to £9.0 million (2020: £8.5 million), including gains in both net interest income of 9.5% to £8.6 million (2020: £7.8 million), and in net trading income of 12.2% to £8.9 million (2020: £7.9 million). Our interest yield on loans fell slightly to 10.9% (2020: 11.6%), due mainly to our success in promoting the Government-backed loan schemes and our move away from sub-prime lending to prime and near-prime propositions. Our interest expense on deposits showed a marginal decrease to 2.2% (2020: 2.4%). Operating expenses grew by 5.3% to £7.8 million (2020: £7.5 million), principally as a result of our prudent policy of recognising further impairments of £2.1 million (2020: £1.9 million) to protect the integrity of our balance sheet. As a result, and as already stated, our profit before tax increased to £1.1 million.

Turning to our balance sheet, despite the challenges of the trading environment, our net loan book has increased by 16.4% to £211.4 million (2020: £181.6 million), with impairments falling to 2.9% (2020: 3.3%) of the gross total. We continue to ensure that liquidity is maintained to provide a prudent buffer until the economic situation fully normalises and, as a result, our cash and debt securities stand at £57.2 million (2020: £64.0 million) - a decrease of 10.7%, keeping us in a more advantageous competitive position with our capacity for increased lending. Our customer deposits have grown by 6.2% to £231.2 million (2020: £217.8 million) and are carefully managed by our Treasury function, especially important at this time.

All of which leads to an 8.8% growth in our total asset base to £283.8 million (2020: £260.7 million). Shareholder equity has increased by 6.0% to £23.1 million (2020: £21.8 million), providing net assets per share, adjusted for the post-period script dividend, of 20.2 pence (2020: 19.1 pence).

### Business Review

#### *Conister Bank Limited ("Bank")*

In my last Chairman's Statement, I promised to provide an update on the Bank's second VAT claim of £0.6 million. I am pleased to report that the Bank resolved its claim against the Isle of Man's Customs and Excise and has been paid in full. A subsequent claim of statutory interest due on this claim has been lodged with the first-tier tribunal in the UK, alongside other High Street Banks, but no value has been recognised in these financial statements for the claim.

The Bank continues to attract deposits at historically low market rates which will position it well against any inflationary pressure. With UK Gilts attracting negative interest rates, our treasury management strategy increased our cash balance to £25.6 million (2020: £6.0 million) and reduced our debt securities to £27.6 million (2020: £57.0 million).

The Bank continues to be supportive of both the Isle of Man and UK Governments' business support schemes and has now been accredited for the UK Government's Recovery Loan Scheme. Along with this, the Bank has repositioned its distribution to support more COVID-19 and recession-proof markets. This repositioning, including moving to a more prime customer base, drove loan book growth to 16.4% (2020: 6.8%), which is encouraging during a period of short-notice economic lockdowns.

This loan book growth resulted in the net interest income margin net of commissions increasing by 5.4% (2020: 2.2%) but we expect a normalised position over the life of these loans due to their prime nature and the Government guarantees.

Personnel expenses increased by £0.1 million as the Bank's headcount increased by nine as part of launching a new debt collection company, Manx Collections Limited, which generated £0.1 million of profitability in the first six months of trading. Overheads increased by £0.2 million, which is primarily due to the recovery costs on delinquent debts. During these uncertain times we continue to operate a prudent provisioning policy, with an allowance of £2.1 million (2020: £1.9 million). Finally, in relation to our cost base, depreciation and amortisation increased by £0.1 million to £0.4 million (2020: £0.3 million), driven by continued investment in our IT strategy.

#### *Edgewater Associates Limited*

Our independent financial advisory business remains the largest on the Isle of Man and had a difficult half-year with the trading conditions negatively impacted by COVID-19. Meeting clients became problematic and many sought to delay investment decisions due to market turbulence. Despite a UK economic recovery being underway, the sustained threat of

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# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CHAIRMAN'S STATEMENT

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inflation has dampened client confidence and stifled investment. As a result, profitability has remained broadly similar year-on-year despite assets under management increasing by 11.6% to £375.0 million (2020: £336.0 million) and renewal income increasing to £0.6 million (2020: £0.5 million).

### ***Manx FX Limited ("MFX")***

Our foreign exchange advisory business has had a remarkable half-year. Whereas our IFA business suffered from market volatility, MFX benefitted, demonstrating the importance in having a diversified financial services group. Turnover remained constant at £0.9 million, particularly trading in Euros and South African Rand following the wide-ranging impact of BREXIT. The business continues to have a very liquid balance sheet and declared an interim dividend to the Group of £0.6 million during the half-year (2020: £nil).

### ***Beer Swaps Limited ("BSL")***

On 14 June 2021, the Bank acquired further shares in BSL to increase its ordinary shareholding to 90% for a cash consideration of £0.3 million. For the period under ownership, BSL reported turnover of £0.6 million and a profit before tax of £0.2 million with net assets of £0.3 million. BSL is now the largest tank lessor in the UK brewing market.

### ***Blue Star Business Solutions Limited ("BBSL")***

BBSL has traded well through difficult economic conditions in which the economic impact of UK Government support schemes distorted the credit broker sector. However, and notwithstanding, BBSL has reported a £0.1 million profit (2020: £0.0 million). BBSL brokered £6.4 million (2020: £3.8 million) of which £3.8 million (2020: £2.1 million) was referred to the Bank. BBSL receives no loan interest income for lending placed with the Bank, but if it did, the imputed profitability for the first half would have been £0.5 million.

### **Strategic Objectives for 2021**

Our strategic priorities for 2021 remain unchanged, and I will report on these in detail in my next Chairman's Statement. As ever, we strive to increase shareholder value, both in a prudent yet progressive manner. I repeat our 2021 key objectives:

- Treating customers in both as fair and appropriate manner as possible. Our Treating Customers Fairly ("TCF") regime continues to be enhanced throughout our businesses and I am pleased to report that we have a negligible level of complaints, all of which have been settled to the customers' satisfaction. TCF is the cornerstone of all our operations as we make every effort to ensure that our customer service offering is second to none.

- Adopting a pro-active strategy of managing risk. We have taken active steps to rebase our loan book away from sub-prime lending into prime and near-prime advances. In doing so, we recognise that the gross interest rates may diminish somewhat, but we anticipate that this erosion will be more than compensated by a lower incidence of arrears and write-offs. Our new segregated debt collection subsidiary - Manx Collections Limited - received its FCA licence in June 2021 and has already made significant progress not only in recoveries, but also in the early identification of problems, working with our customers to ensure a better outcome for the Bank. We continue to make prudential impairments as part of our policy of strengthening our balance sheet to minimise the risk of any unforeseen event adversely affecting our profitability.
- Developing our core businesses by considered acquisitions. The current economic environment has produced a number of interesting potential acquisition opportunities. Each of these is evaluated carefully before commitment. We also recognise that our recent acquisitions have become significant contributors to our profitability.
- Developing and implementing a coherent digital infrastructure. We recognise the importance of IT to service the operational requirements of a growing Group and to remain competitive. We continue with our investment in core systems which is already minimising the time taken to consider advances, allowing us to redeploy staff into more productive areas.
- Managing the liabilities side of our balance sheet. Our new Treasury management function is working well, ensuring that our liquidity matches the anticipated growth of our lending. Our recently launched Isle of Man notice accounts continue to gain traction and we will continue to develop attractive deposit products with competitive interest rates for our depositors.
- Managing our balance sheet to exceed the regulatory requirements for capital adequacy. We are well capitalised with our Total Capital Ratio standing at 17.8% (2020: 16.0%). We will maintain our strategy of converting Group retained earnings into Tier 1 capital for the Bank to support its lending growth. Meanwhile, we will continue to maintain a heightened level of cash liquidity.
- Increase shareholder value. The discount between Net Asset Value and market capitalisation is an issue that we are working to rectify. The strategic aim of returning to being a dividend paying company has now been achieved and I see no reason to prevent us returning 10% of profit attributable to shareholders as a dividend for the foreseeable future. This, together with enhanced investor relations, should help the market in rerating our shares.

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# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CHAIRMAN'S STATEMENT

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### **Current trading and outlook**

The Isle of Man economy continues to be resilient under the strain of COVID-19 and our local new business growth shows no signs of slowing down. The UK also shows signs of a real return to growth with Gross Domestic Product for Quarter 2 this year increasing by 22.2% over the same quarter last year, and our UK lending growth reflects this. Taken together, I have every confidence that our full year will show a significant improvement in profitability providing the requirement for impairments remain at their current level.

The Bank's appointments as accredited lenders to the various Government-backed schemes will help second-half lending growth and we will continue to strengthen our balance sheet by maintaining adequate liquidity.

It remains for me, as always, to thank on behalf of the Board, our staff for their splendid efforts coping with the additional demands of dealing with the COVID pandemic whilst continuing to develop the Group in such a successful manner and, finally, to thank our shareholders for their enduring loyalty.

**Jim Mellon**  
Executive Chairman  
27 September 2021

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|  |       | For the six<br>months ended<br>30 June<br>2021<br>£'000<br>(unaudited) | For the six<br>months ended<br>30 June<br>2020<br>£'000<br>(unaudited) | For the year<br>ended<br>31 December<br>2020<br>£'000<br>(audited) |
|--|-------|--|--|--|
|  | Notes |  |  |  |
| Interest income  | 6     | 10,979   | 10,428   | 20,692   |
| Interest expense   |       | (2,424)  | (2,617)  | (5,222)  |
| <b>Net interest income</b>   |       | <b>8,555</b>   | <b>7,811</b>   | <b>15,470</b>  |
| Fee and commission income  |       | 2,356  | 2,157  | 3,865  |
| Fee and commission expense   |       | (1,878)  | (1,870)  | (3,481)  |
| Depreciation on leasing assets                                     |       | (173)  | (203)  | (406)  |
| <b>Net trading income</b>  |       | <b>8,860</b>   | <b>7,895</b>   | <b>15,448</b>  |
| Other operating income   |       | 129  | 111  | 200  |
| Gain on financial instruments                                      |       | -  | 6  | 259  |
| Realised (loss) / gain on debt securities                          |       | (1)  | 212  | 261  |
| Revaluation on acquisition of subsidiary                           |       | -  | 237  | 237  |
| <b>Operating income</b>  |       | <b>8,988</b>   | <b>8,461</b>   | <b>16,405</b>  |
| Personnel expenses   |       | (3,241)  | (3,337)  | (6,823)  |
| Other expenses   |       | (2,099)  | (1,772)  | (3,707)  |
| Impairment on loans and advances to customers                      |       | (2,142)  | (1,895)  | (3,950)  |
| Depreciation   |       | (323)  | (222)  | (490)  |
| Amortisation and impairment of intangibles                         |       | (216)  | (172)  | (374)  |
| Share of profit / (loss) of equity accounted investees, net of tax |       | 59   | (91)   | 54   |
| VAT recovery   |       | 113  | 36   | 906  |
| <b>Profit before tax payable</b>                                   |       | <b>1,139</b>   | <b>1,008</b>   | <b>2,021</b>   |
| Income tax expense   |       | (122)  | (16)   | (53)   |
| <b>Profit for the period / year</b>                                |       | <b>1,017</b>   | <b>992</b>   | <b>1,968</b>   |



## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

|  |       | For the six<br>months ended<br>30 June<br>2021<br>£'000<br>(unaudited) | For the six<br>months ended<br>30 June<br>2020<br>£'000<br>(unaudited) | For the year<br>ended<br>31 December<br>2020<br>£'000<br>(audited) |
|--|-------|--|--|--|
|  | Notes |  |  |  |
| <b>Profit for the period / year</b>  |       | <b>1,017</b>   | 992  | 1,968  |
| <b>Other comprehensive income:</b>   |       |  |  |  |
| <b>Items that will be reclassified to profit or loss</b>                     |       |  |  |  |
| Unrealised (loss) / gain on debt securities                                  |       | (9)  | 102  | (51)   |
| <b>Items that will never be reclassified to profit or loss</b>               |       |  |  |  |
| Actuarial loss on defined benefit pension scheme taken to equity             |       | -  | -  | (241)  |
| <b>Total comprehensive income for the period / year</b>                      |       | <b>1,008</b>   | 1,094  | 1,676  |
| <b>Profit attributable to:</b>   |       |  |  |  |
| Owners of the Company  |       | 1,029  | 997  | 1,935  |
| Non-controlling interest   |       | (12)   | (5)  | 33   |
|  |       | <b>1,017</b>   | 992  | 1,968  |
| <b>Total comprehensive income attributable to:</b>                           |       |  |  |  |
| Owners of the Company  |       | 1,020  | 1,099  | 1,643  |
| Non-controlling interest   |       | (12)   | (5)  | 33   |
|  |       | <b>1,008</b>   | 1,094  | 1,676  |
| <b>Earnings per share - profit for the period / year</b>                     |       |  |  |  |
| Basic earnings per share (pence)   | 8     | 0.89   | 0.87   | 1.65   |
| Diluted earnings per share (pence)   | 8     | 0.73   | 0.71   | 1.37   |
| <b>Earnings per share - total comprehensive income for the period / year</b> |       |  |  |  |
| Basic earnings per share (pence)   | 8     | 0.88   | 0.96   | 1.41   |
| Diluted earnings per share (pence)   | 8     | 0.72   | 0.78   | 1.19   |

The notes on pages 11 to 18 are an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at   | Notes | 30 June<br>2021<br>£'000<br>(unaudited) | 30 June<br>2020<br>£'000<br>(unaudited) | 31 December<br>2020<br>£'000<br>(audited) |
|---|-------|---|---|---|
| <b>Assets</b>                                       |       |   |   |   |
| Cash and cash equivalents                           |       | 29,577                                  | 6,991                                   | 34,053                                    |
| Debt securities                                     | 9     | 27,610                                  | 57,036                                  | 25,532                                    |
| Trading assets                                      |       | -                                       | 4                                       | 4   |
| Loans and advances to customers                     | 5,10  | 211,445                                 | 181,581                                 | 193,143                                   |
| Trade and other receivables                         | 11    | 1,458                                   | 2,521                                   | 2,170                                     |
| Property, plant and equipment                       |       | 6,472                                   | 5,793                                   | 6,045                                     |
| Intangible assets                                   |       | 2,329                                   | 2,290                                   | 2,286                                     |
| Investment in associate                             |       | 375                                     | 171                                     | 316                                       |
| Other investments                                   | 17    | 68                                      | -                                       | -   |
| Goodwill  | 12    | 4,412                                   | 4,361                                   | 4,412                                     |
| <b>Total assets</b>                                 |       | <b>283,746</b>                          | <b>260,748</b>                          | <b>267,961</b>                            |
| <b>Liabilities</b>                                  |       |   |   |   |
| Deposits from customers                             |       | 231,179                                 | 217,758                                 | 218,285                                   |
| Creditors and accrued charges                       | 13    | 4,058                                   | 3,148                                   | 3,206                                     |
| Contingent consideration                            |       | 613                                     | 921                                     | 672                                       |
| Loan notes  | 14    | 23,722                                  | 16,222                                  | 22,222                                    |
| Pension liability                                   |       | 846                                     | 688                                     | 944                                       |
| Deferred tax liability                              |       | 195                                     | 141                                     | 197                                       |
| <b>Total liabilities</b>                            |       | <b>260,613</b>                          | <b>238,878</b>                          | <b>245,526</b>                            |
| <b>Equity</b>                                       |       |   |   |   |
| Called up share capital                             | 15    | 19,121                                  | 19,121                                  | 19,121                                    |
| Retained earnings                                   |       | 3,984                                   | 2,686                                   | 3,230                                     |
| <b>Equity attributable to owners of the Company</b> |       | <b>23,105</b>                           | <b>21,807</b>                           | <b>22,351</b>                             |
| Non-controlling interest                            |       | 28                                      | 63                                      | 84  |
| <b>Total equity</b>                                 |       | <b>23,133</b>                           | <b>21,870</b>                           | <b>22,435</b>                             |
| <b>Total liabilities and equity</b>                 |       | <b>283,746</b>                          | <b>260,748</b>                          | <b>267,961</b>                            |

The notes on pages 11 to 18 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Attributable to owners of the Company |                            |                | Non-controlling interest<br>£'000 | Total equity<br>£'000 |
|---|---------------------------------------|----------------------------|----------------|-----------------------------------|-----------------------|
|   | Share capital<br>£'000                | Retained earnings<br>£'000 | Total<br>£'000 |                                   |                       |
| <b>For the six months ended 30 June 2021</b>                      |                                       |                            |                |                                   |                       |
| <b>Balance at 1 January 2020</b>                                  | <b>20,732</b>                         | <b>1,587</b>               | <b>22,319</b>  | <b>-</b>                          | <b>22,319</b>         |
| <i>Total comprehensive income for the period:</i>                 |                                       |                            |                |                                   |                       |
| Profit for the period   | -                                     | 997                        | 997            | (5)                               | 992                   |
| Other comprehensive income  | -                                     | 102                        | 102            | -                                 | 102                   |
| <b>Total comprehensive income for the period</b>                  | <b>-</b>                              | <b>1,099</b>               | <b>1,099</b>   | <b>(5)</b>                        | <b>1,094</b>          |
| <i>Transactions with owners:</i>                                  |                                       |                            |                |                                   |                       |
| Purchase of ordinary shares                                       | (1,611)                               | -                          | (1,611)        | -                                 | (1,611)               |
| <b>Total transactions with owners of the Company</b>              | <b>(1,611)</b>                        | <b>-</b>                   | <b>(1,611)</b> | <b>-</b>                          | <b>(1,611)</b>        |
| <i>Changes in ownership interests:</i>                            |                                       |                            |                |                                   |                       |
| Change in ownership interest of a subsidiary                      | -                                     | -                          | -              | 68                                | 68                    |
| <b>Total changes in ownership interests</b>                       | <b>-</b>                              | <b>-</b>                   | <b>-</b>       | <b>68</b>                         | <b>68</b>             |
| <b>Balance at 30 June 2020</b>                                    | <b>19,121</b>                         | <b>2,686</b>               | <b>21,807</b>  | <b>63</b>                         | <b>21,870</b>         |
| <b>Balance at 1 July 2020</b>                                     | <b>19,121</b>                         | <b>2,686</b>               | <b>21,807</b>  | <b>63</b>                         | <b>21,870</b>         |
| <i>Total comprehensive income for the period:</i>                 |                                       |                            |                |                                   |                       |
| Profit for the period   | -                                     | 938                        | 938            | 38                                | 976                   |
| Other comprehensive income  | -                                     | (394)                      | (394)          | -                                 | (394)                 |
| <b>Total comprehensive income for the period</b>                  | <b>-</b>                              | <b>544</b>                 | <b>544</b>     | <b>38</b>                         | <b>582</b>            |
| <i>Changes in ownership interests:</i>                            |                                       |                            |                |                                   |                       |
| Change in ownership interest of a subsidiary                      | -                                     | -                          | -              | (17)                              | (17)                  |
| <b>Total changes in ownership interests</b>                       | <b>-</b>                              | <b>-</b>                   | <b>-</b>       | <b>(17)</b>                       | <b>(17)</b>           |
| <b>Balance at 31 December 2020</b>                                | <b>19,121</b>                         | <b>3,230</b>               | <b>22,351</b>  | <b>84</b>                         | <b>22,435</b>         |
| <b>Balance at 1 January 2021</b>                                  | <b>19,121</b>                         | <b>3,230</b>               | <b>22,351</b>  | <b>84</b>                         | <b>22,435</b>         |
| <i>Total comprehensive income for the period:</i>                 |                                       |                            |                |                                   |                       |
| Profit for the period   | -                                     | 1,029                      | 1,029          | (12)                              | 1,017                 |
| Other comprehensive income  | -                                     | (9)                        | (9)            | -                                 | (9)                   |
| <b>Total comprehensive income for the period</b>                  | <b>-</b>                              | <b>1,020</b>               | <b>1,020</b>   | <b>(12)</b>                       | <b>1,008</b>          |
| <i>Changes in ownership interests:</i>                            |                                       |                            |                |                                   |                       |
| Acquisition of subsidiary with non-controlling interest (Note 16) | -                                     | (266)                      | (266)          | (44)                              | (310)                 |
| <b>Total changes in ownership interests</b>                       | <b>-</b>                              | <b>(266)</b>               | <b>(266)</b>   | <b>(44)</b>                       | <b>(310)</b>          |
| <b>Balance at 30 June 2021</b>                                    | <b>19,121</b>                         | <b>3,984</b>               | <b>23,105</b>  | <b>28</b>                         | <b>23,133</b>         |

The notes on pages 11 to 18 are an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|   |       | For the six<br>months ended<br>30 June<br>2021<br>£'000<br>(unaudited) | For the six<br>months ended<br>30 June<br>2020<br>£'000<br>(unaudited) | For the year<br>ended<br>31 December<br>2020<br>£'000<br>(audited) |
|---|-------|--|--|--|
|   | Notes |  |  |  |
| <b>RECONCILIATION OF PROFIT BEFORE TAXATION TO OPERATING CASH FLOWS</b> |       |  |  |  |
| <b>Profit before tax</b>  |       | <b>1,139</b>   | 1,008  | 2,021  |
| Adjustments for:  |       |  |  |  |
| Depreciation  |       | 496  | 425  | 896  |
| Amortisation and impairment of intangibles                              |       | 216  | 172  | 374  |
| Realised gain on debt securities  |       | -  | (212)  | (237)  |
| Share of (profit) / loss of equity accounted investees                  |       | (59)   | 91   | (54)   |
| Contingent consideration interest expense                               |       | 61   | 58   | 122  |
| Pension charge included in personnel costs                              |       | -  | -  | 15   |
| Gain on acquisition of subsidiary                                       |       | -  | (237)  | (253)  |
|   |       | <b>1,853</b>   | 1,305  | 2,884  |
| Changes in:   |       |  |  |  |
| Trading asset   |       | 4  | 15   | 15   |
| Trade and other receivables   | 11    | 712  | 73   | 415  |
| Creditors and accrued charges   | 13    | 767  | (15)   | 315  |
| <b>Net cash flow from trading activities</b>                            |       | <b>3,336</b>   | 1,378  | 3,629  |
| Changes in:   |       |  |  |  |
| Loans and advances to customers   | 10    | (18,302)   | (4,461)  | (16,023)   |
| Deposits from customers   |       | 12,894   | 7,825  | 8,352  |
| Pension contribution  |       | (98)   | -  | -  |
| <b>Cash (outflow) / inflow from operating activities</b>                |       | <b>(2,170)</b>   | 4,742  | (4,042)  |

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

|   |       | For the six<br>months ended<br>30 June<br>2021<br>£'000<br>(unaudited) | For the six<br>months ended<br>30 June<br>2020<br>£'000<br>(unaudited) | For the year<br>ended<br>31 December<br>2020<br>£'000<br>(audited) |
|---|-------|--|--|--|
|   | Notes |  |  |  |
| <b>CASH FLOW STATEMENT</b>  |       |  |  |  |
| <b>Cash from operating activities</b>   |       |  |  |  |
| Cash (outflow) / inflow from operating activities                                     |       | (2,170)  | 4,742  | (4,042)  |
| Income taxes paid   |       | -  | -  | (172)  |
|   |       | <b>(2,170)</b>   | <b>4,742</b>   | <b>(4,214)</b>   |
| <b>Net cash (outflow) / inflow from operating activities</b>                          |       |  |  |  |
| <b>Cash flows from investing activities</b>   |       |  |  |  |
| Purchase of property, plant and equipment   |       | (1,172)  | (322)  | (1,187)  |
| Purchase of intangible assets   |       | (259)  | (35)   | (231)  |
| Sale of property, plant and equipment   |       | 249  | -  | 127  |
| Acquisition of subsidiary or associate, net of cash acquired                          | 16    | (310)  | (622)  | (648)  |
| (Purchase) / sale of debt securities at fair value through other comprehensive income | 9     | (3,188)  | (3,608)  | 1,101  |
| Sale / (purchase) of debt securities at amortised cost                                | 9     | 1,101  | (6,322)  | 20,108   |
| Contingent consideration  |       | (120)  | -  | (59)   |
|   |       | <b>(3,699)</b>   | <b>(10,909)</b>  | <b>19,211</b>  |
| <b>Net cash (outflow) / inflow from investing activities</b>                          |       |  |  |  |
| <b>Cash flows from financing activities</b>   |       |  |  |  |
| Receipt / (repayment) of loan notes   | 14    | 1,500  | (1,360)  | 4,640  |
| Lease payments  |       | (107)  | (102)  | (204)  |
|   |       | <b>1,393</b>   | <b>(1,462)</b>   | <b>4,436</b>   |
| <b>Net cash inflow / (outflow) from financing activities</b>                          |       |  |  |  |
| <b>Net (decrease) / increase in cash and cash equivalents</b>                         |       |  |  |  |
| Cash and cash equivalents - opening   |       | 34,053   | 14,620   | 14,620   |
|   |       | <b>29,577</b>  | <b>6,991</b>   | <b>34,053</b>  |
| <b>Cash and cash equivalents - closing</b>  |       |  |  |  |
| <b>Included in cash flows are:</b>  |       |  |  |  |
| Interest received - cash amounts  |       | 10,757   | 10,741   | 20,274   |
| Interest paid - cash amounts  |       | (2,345)  | (2,669)  | (5,053)  |

Non-cash investing and financing activities disclosed in other notes are:

- nil (30 June 2019: nil and 31 December 2020: £1,600,000 acquisition of 16,966,158 of the Group's own Ordinary Shares) - Note 16
- £68,000 acquisition of 10% shareholding in Rivers Finance Group Plc ("RFG") (30 June 2019: nil and 31 December 2020: nil) - Note 17

The notes on pages 11 to 18 are an integral part of these condensed consolidated interim financial statements.

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## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### NOTES

For the six months ended 30 June 2021

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#### 1. Reporting entity

Manx Financial Group PLC (“Company” or “MFG”) is a company incorporated in the Isle of Man. These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (“Group”).

#### 2. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the last annual consolidated financial statements as at and for the year ended 31 December 2020 (“last annual financial statements”). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

#### 3. Functional and presentation currency

These financial statements are presented in pounds sterling, which is the Group’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

In preparing these interim financial statements, management 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.

The significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those described in the last annual financial statements other than those described in Note 17 - Acquisition of financial instrument.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## NOTES

For the six months ended 30 June 2021

### 5. Credit risk

A summary of the Group's current policies and practices for the management of credit risk is set out in Note 7 - Financial risk review and Note 37 - Financial risk management on pages 46 and 71 respectively of the Annual Financial Statements 2020.

An explanation of the terms Stage 1, Stage 2 and Stage 3 is included in Note 39 (G)(vii) on page 80 of the Annual Financial Statements 2020.

#### A. Summary of credit risk on loans and advances to customers

| 30 June (unaudited) | 2021             |                  |                  |                | 2020             |                  |                  |                |
|---------------------|------------------|------------------|------------------|----------------|------------------|------------------|------------------|----------------|
|                     | Stage 1<br>£'000 | Stage 2<br>£'000 | Stage 3<br>£'000 | Total<br>£'000 | Stage 1<br>£'000 | Stage 2<br>£'000 | Stage 3<br>£'000 | Total<br>£'000 |
| Grade A             | 195,141          | -                | -                | 195,141        | 164,648          | -                | -                | 164,648        |
| Grade B             | -                | 4,437            | 7,255            | 11,692         | -                | 2,252            | -                | 2,252          |
| Grade C             | 589              | 50               | 10,248           | 10,887         | 5,558            | 2,211            | 13,074           | 20,843         |
| Gross value         | 195,730          | 4,487            | 17,503           | 217,720        | 170,206          | 4,463            | 13,074           | 187,743        |
| Allowance for ECL   | (698)            | (14)             | (5,563)          | (6,275)        | (220)            | (38)             | (5,904)          | (6,162)        |
| Carrying value      | 195,032          | 4,473            | 11,940           | 211,445        | 169,986          | 4,425            | 7,170            | 181,581        |

  

| 31 December (audited) | 2020             |                  |                  |                | 2019             |                  |                  |                |
|-----------------------|------------------|------------------|------------------|----------------|------------------|------------------|------------------|----------------|
|                       | Stage 1<br>£'000 | Stage 2<br>£'000 | Stage 3<br>£'000 | Total<br>£'000 | Stage 1<br>£'000 | Stage 2<br>£'000 | Stage 3<br>£'000 | Total<br>£'000 |
| Grade A               | 173,673          | -                | -                | 173,673        | 168,796          | -                | -                | 168,796        |
| Grade B               | -                | 5,728            | 7,751            | 13,479         | 1,143            | 1,675            | -                | 2,818          |
| Grade C               | 335              | 9                | 12,771           | 13,115         | -                | 1,985            | 10,544           | 12,529         |
| Gross value           | 174,008          | 5,737            | 20,522           | 200,267        | 169,939          | 3,660            | 10,544           | 184,143        |
| Allowance for ECL     | (423)            | (18)             | (6,683)          | (7,124)        | (116)            | (467)            | (4,190)          | (4,773)        |
| Carrying value        | 173,585          | 5,719            | 13,839           | 193,143        | 169,823          | 3,193            | 6,354            | 179,370        |

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

#### B. Summary of overdue status of loans and advances to customers

| 30 June 2020 (unaudited) | 2021            |                 |                 |               | 2020            |                 |                 |               |
|--------------------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|---------------|
|                          | Stage 1<br>£000 | Stage 2<br>£000 | Stage 3<br>£000 | Total<br>£000 | Stage 1<br>£000 | Stage 2<br>£000 | Stage 3<br>£000 | Total<br>£000 |
| Current                  | 193,435         | -               | -               | 193,435       | 159,467         | -               | -               | 159,467       |
| Overdue < 30 days        | 2,293           | -               | -               | 2,293         | 5,181           | -               | -               | 5,181         |
| Overdue > 30 days        | -               | 4,488           | 17,504          | 21,992        | 5,558           | 4,463           | 13,074          | 23,095        |
|                          | 195,728         | 4,488           | 17,504          | 217,720       | 170,206         | 4,463           | 13,074          | 187,743       |

  

| 31 December (audited) | 2020            |                 |                 |               | 2019            |                 |                 |               |
|-----------------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|---------------|
|                       | Stage 1<br>£000 | Stage 2<br>£000 | Stage 3<br>£000 | Total<br>£000 | Stage 1<br>£000 | Stage 2<br>£000 | Stage 3<br>£000 | Total<br>£000 |
| Current               | 170,436         | -               | -               | 170,436       | 145,373         | -               | -               | 145,373       |
| Overdue < 30 days     | 3,572           | -               | -               | 3,572         | 24,259          | -               | -               | 24,259        |
| Overdue > 30 days     | -               | 5,737           | 20,522          | 26,259        | 307             | 3,660           | 10,544          | 14,511        |
|                       | 174,008         | 5,737           | 20,522          | 200,267       | 169,939         | 3,660           | 10,544          | 184,143       |

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## NOTES

For the six months ended 30 June 2021

### 6. Interest income

Interest income represents charges and interest on finance and leasing agreements attributable to the period or year after adjusting for early settlements and interest on bank balances, excluding the Terminal funding portfolio.

### 7. 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 (2020: 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); EAL and MFX.

| For the 6 months ended<br>30 June 2021 (unaudited) | Asset and<br>Personal<br>Finance<br>£'000 | EAL<br>£'000 | MFX<br>£'000 | Investing<br>Activities<br>£'000 | Total<br>£'000 |
|--|---|--------------|--------------|----------------------------------|----------------|
| Net interest income / (expense)                    | 9,201                                     | -            | -            | (646)                            | 8,555          |
| Fee and commission income                          | 469                                       | 1,031        | 856          | -                                | 2,356          |
| Operating income / (expense)                       | 6,456                                     | 1,031        | 852          | 649                              | 8,988          |
| <b>Profit / (loss) before tax payable</b>          | <b>759</b>                                | <b>(12)</b>  | <b>717</b>   | <b>(325)</b>                     | <b>1,139</b>   |
| Capital expenditure                                | 1,384                                     | -            | 24           | 23                               | 1,431          |
| <b>Total assets</b>                                | <b>274,832</b>                            | <b>2,150</b> | <b>615</b>   | <b>6,259</b>                     | <b>283,856</b> |
| <b>Total liabilities</b>                           | <b>243,136</b>                            | <b>545</b>   | <b>8</b>     | <b>17,034</b>                    | <b>260,723</b> |

| For the 6 months ended<br>30 June 2020 (unaudited) | Asset and<br>Personal<br>Finance<br>£'000 | EAL<br>£'000 | MFX<br>£'000 | Investing<br>Activities<br>£'000 | Total<br>£'000 |
|--|---|--------------|--------------|----------------------------------|----------------|
| Net interest income / (expense)                    | 8,287                                     | -            | -            | (476)                            | 7,811          |
| Fee and commission income                          | 207                                       | 1,075        | 875          | -                                | 2,157          |
| Operating income / (expense)                       | 6,932                                     | 1,075        | 872          | (215)                            | 8,664          |
| <b>Profit / (loss) before tax payable</b>          | <b>843</b>                                | <b>6</b>     | <b>785</b>   | <b>(626)</b>                     | <b>1,008</b>   |
| Capital expenditure                                | 357                                       | -            | -            | -                                | 357            |
| <b>Total assets</b>                                | <b>257,310</b>                            | <b>2,292</b> | <b>321</b>   | <b>825</b>                       | <b>260,748</b> |
| <b>Total liabilities</b>                           | <b>228,416</b>                            | <b>633</b>   | <b>7</b>     | <b>9,822</b>                     | <b>238,878</b> |

| For the year ended<br>31 December 2020 (audited) | Asset and<br>Personal<br>Finance<br>£000 | EAL<br>£000  | MFX<br>£000  | Investing<br>Activities<br>£000 | Total<br>£000  |
|--|--|--------------|--------------|---------------------------------|----------------|
| Net interest income                              | 15,470                                   | -            | -            | -                               | 15,470         |
| Fee and commission income                        | 430                                      | 2,103        | 1,332        | -                               | 3,865          |
| Operating income                                 | 13,206                                   | 2,103        | 1,096        | -                               | 16,405         |
| <b>Profit / (loss) before tax payable</b>        | <b>1,316</b>                             | <b>(94)</b>  | <b>1,096</b> | <b>(297)</b>                    | <b>2,021</b>   |
| Capital expenditure                              | 1,138                                    | 46           | 2            | 1                               | 1,187          |
| <b>Total assets</b>                              | <b>260,155</b>                           | <b>2,638</b> | <b>536</b>   | <b>4,632</b>                    | <b>267,961</b> |
| <b>Total liabilities</b>                         | <b>230,001</b>                           | <b>660</b>   | <b>12</b>    | <b>14,853</b>                   | <b>245,526</b> |



# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## NOTES

For the six months ended 30 June 2021

### 8. Earnings per share

|   | For the 6<br>months<br>ended<br>30 June 2021<br>(unaudited) | For the 6<br>months<br>ended<br>30 June 2020<br>(unaudited) | For the<br>year ended<br>31 Dec 2020<br>(audited) |
|---|---|---|---|
| <b>Profit for the period / year</b>                         | <b>£1,017,000</b>   | £992,000  | £1,968,000  |
| Weighted average number of ordinary shares in issue (basic) | 114,130,077   | 114,130,077   | 118,964,270                                       |
| Basic earnings per share (pence)                            | 0.89  | 0.87  | 1.65  |
| Diluted earnings per share (pence)                          | 0.73  | 0.71  | 1.37  |
| <b>Total comprehensive income for the period / year</b>     | <b>£1,008,000</b>   | £1,094,000  | £1,676,000  |
| Weighted average number of ordinary shares in issue (basic) | 114,130,077   | 114,130,077   | 118,964,270                                       |
| Basic earnings per share (pence)                            | 0.88  | 0.96  | 1.41  |
| Diluted earnings per share (pence)                          | 0.72  | 0.78  | 1.19  |

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

| As at  | 30 June 2021<br>(unaudited) | 30 June 2020<br>(unaudited) | 31 Dec 2020<br>(audited) |
|--|-----------------------------|-----------------------------|--------------------------|
| <b>Reconciliation of weighted average number of ordinary shares in issue between basic and diluted</b> |                             |                             |                          |
| Weighted average number of ordinary shares (basic)   | 114,130,077                 | 114,130,077                 | 118,964,270              |
| Number of shares issued if all convertible loan notes were exchanged for equity                        | 36,555,556                  | 36,555,556                  | 36,555,556               |
| Dilutive element of share options if exercised   | -                           | -                           | -                        |
| Weighted average number of ordinary shares (diluted)   | 150,685,633                 | 150,685,633                 | 155,519,826              |
| <b>Reconciliation of profit for the period / year between basic and diluted</b>                        |                             |                             |                          |
| Profit for the period / year (basic)   | £1,017,000                  | £992,000                    | £1,968,000               |
| Interest expense saved if all convertible loan notes were exchanged for equity                         | £83,125                     | £83,125                     | £166,250                 |
| Profit for the period / year (diluted)   | £1,100,125                  | £1,075,125                  | £2,134,250               |

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

| As at   | 30 June 2021<br>(unaudited) | 30 June 2020<br>(unaudited) | 31 Dec 2020<br>(audited) |
|---|-----------------------------|-----------------------------|--------------------------|
| <b>Reconciliation of total comprehensive income for the period / year between basic and diluted</b> |                             |                             |                          |
| Total comprehensive income for the period / year (basic)  | £1,008,000                  | £1,094,000                  | £1,676,000               |
| Interest expense saved if all convertible loan notes were exchanged for equity                      | £83,125                     | £83,125                     | £166,250                 |
| Total comprehensive income for the period / year (diluted)  | £1,091,125                  | £1,177,125                  | £1,842,250               |

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## NOTES

For the six months ended 30 June 2021

### 9. Debt securities

| As at   | 30 June 2021<br>£'000<br>(unaudited) | 30 June 2020<br>£'000<br>(unaudited) | 31 Dec 2020<br>£'000<br>(audited) |
|---|--------------------------------------|--------------------------------------|-----------------------------------|
| <b>Financial assets at fair value through other comprehensive income:</b> |                                      |                                      |                                   |
| UK Government treasury bills  | 27,610                               | 48,612                               | 24,431                            |
| <b>Financial assets at amortised cost:</b>                                |                                      |                                      |                                   |
| UK Certificates of Deposit  | -                                    | 8,424                                | 1,101                             |
|   | <u>27,610</u>                        | <u>57,036</u>                        | <u>25,532</u>                     |

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 losses of £1,000 (30 June 2020: realised gains of £212,000 and 31 December 2020: realised gains of £261,000) and unrealised losses of £9,000 (30 June 2020: unrealised gains of £102,000 and 31 December 2020: unrealised losses of £51,000) for the period.

### 10. Loans and advances to customers

| As at                          | Gross Amount<br>£'000 | Impairment Allowance<br>£'000 | 30 June 2021<br>Carrying Value<br>£'000<br>(unaudited) | 30 June 2020<br>Carrying Value<br>£'000<br>(unaudited) | 31 Dec 2020<br>Carrying Value<br>£'000<br>(audited) |
|--------------------------------|-----------------------|-------------------------------|--|--|---|
| HP                             | 69,747                | (2,115)                       | 67,632   | 70,168   | 71,151  |
| Finance lease                  | 32,775                | (3,237)                       | 29,538   | 35,841   | 31,132  |
| Wholesale funding arrangements | 16,890                | -                             | 16,890   | 18,832   | 17,272  |
| Block discounting              | 13,488                | -                             | 13,488   | 14,911   | 13,430  |
| Unsecured personal loans       | 32,040                | (432)                         | 31,608   | 24,788   | 27,398  |
| Secured commercial loans       | 10,170                | (469)                         | 9,701  | 12,237   | 9,091   |
| Secured personal loans         | 1,746                 | -                             | 1,746  | 3,182  | 2,152   |
| Vehicle stocking plans         | 1,520                 | -                             | 1,520  | 1,622  | 1,807   |
| Government backed loans        | 39,344                | (22)                          | 39,322   | -  | 19,710  |
|                                | <u>217,720</u>        | <u>(6,275)</u>                | <u>211,445</u>   | <u>181,581</u>   | <u>193,143</u>                                      |

### 11. Trade and other receivables

| As at         | 30 June 2021<br>£'000<br>(unaudited) | 30 June 2020<br>£'000<br>(unaudited) | 31 Dec 2020<br>£'000<br>(audited) |
|---------------|--------------------------------------|--------------------------------------|-----------------------------------|
| VAT claim     | -                                    | 871                                  | 586                               |
| Prepayments   | 360                                  | 309                                  | 482                               |
| Other debtors | 1,098                                | 1,341                                | 1,102                             |
|               | <u>1,458</u>                         | <u>2,521</u>                         | <u>2,170</u>                      |

The VAT claim was settled in full and the Bank received £699,000 during the period. An additional recovery of £113,000 over and above the carrying amount recognised at year end has been recognised in profit and loss.

### 12. Goodwill

| As at  | 30 June 2021<br>£'000<br>(unaudited) | 30 June 2020<br>£'000<br>(unaudited) | 31 Dec 2020<br>£'000<br>(audited) |
|--|--------------------------------------|--------------------------------------|-----------------------------------|
| EAL  | 1,849                                | 1,849                                | 1,849                             |
| BBSL   | 1,390                                | 1,390                                | 1,390                             |
| BSL  | 678                                  | 627                                  | 678                               |
| ECF Asset Finance PLC ("ECF")                            | 454                                  | 454                                  | 454                               |
| Three Spires Insurance Services Limited ("Three Spires") | 41                                   | 41                                   | 41                                |
|  | <u>4,412</u>                         | <u>4,361</u>                         | <u>4,412</u>                      |

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### NOTES

For the six months ended 30 June 2021

#### 13. Creditors and accrued charges

| As at                        | 30 June 2021<br>£'000<br>(unaudited) | 30 June 2020<br>£'000<br>(unaudited) | 31 Dec 2020<br>£'000<br>(audited) |
|------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|
| Commission creditors         | 2,345                                | 1,110                                | 1,748                             |
| Other creditors and accruals | 999                                  | 1,089                                | 822                               |
| Lease liability              | 396                                  | 605                                  | 503                               |
| Taxation creditors           | 254                                  | 344                                  | 133                               |
| Deferred interest (Note 17)  | 64                                   | -                                    | -                                 |
|                              | 4,058                                | 3,148                                | 3,206                             |

#### 14. Loan notes

| As at                    | Notes | 30 June 2021<br>£'000<br>(unaudited) | 30 June 2020<br>£'000<br>(unaudited) | 31 Dec 2020<br>£'000<br>(audited) |
|--------------------------|-------|--------------------------------------|--------------------------------------|-----------------------------------|
| <b>Related parties</b>   |       |                                      |                                      |                                   |
| J Mellon                 | JM    | 1,750                                | 1,750                                | 1,750                             |
| Burnbrae Limited         | BL    | 3,200                                | 2,200                                | 3,200                             |
|                          |       | 4,950                                | 3,950                                | 4,950                             |
| <b>Unrelated parties</b> |       |                                      |                                      |                                   |
|                          | UP    | 18,772                               | 12,272                               | 17,272                            |
|                          |       | 23,722                               | 16,222                               | 22,222                            |

**JM** - Two loans, one of £1,250,000 maturing on 26 February 2025 with interest payable of 5.4% per annum, and one of £500,000 maturing on 31 July 2022, paying interest of 5.0% per annum. Both loans are convertible to ordinary shares of the Company at the rate of 7.5 pence and 9 pence respectively.

**BL** - Three loans, one of £1,200,000 maturing on 31 July 2022, paying interest of 5.0% per annum, one of £1,000,000 maturing on 25 February 2025, paying interest of 5.4% per annum, and one of £1,000,000 maturing on 28 February 2025 paying interest of 6% per annum. Jim Mellon is the beneficial owner of BL and Denham Eke is also a director. The £1,200,000 loan is convertible to ordinary shares of the Company at a rate of 7.5 pence.

**UP** - Thirty-six loans consisting of an average £521,447 with an average interest payable of 5.7% per annum. The earliest maturity date is 4 May 2022 and the latest maturity is 30 March 2026.

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.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## NOTES

For the six months ended 30 June 2021

### 15. Called up share capital

| Ordinary Shares of no-par value available for issue   | Number      |        |
|---|-------------|--------|
| At 30 June 2021, 31 December 2020 and 30 June 2020    | 200,200,000 |        |
| Issued and fully paid ordinary Shares of no par value | Number      | £'000  |
| At 31 December 2020 and 30 June 2020                  | 114,130,077 | 19,121 |
| At 30 June 2021                                       | 114,130,077 | 19,121 |

There are three convertible loans totalling £2,950,000 (30 June and 31 December 2020: three convertible loans totalling £2,950,000). 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.

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.

Of the 1,750,000 share options issued, 1,050,000 (30 June and 31 December 2020:1,050,000) remain outstanding.

### 16. Acquisition of non-controlling interest

On 14 June 2021, the Group increased its shareholding in Beer Swaps Limited ("BSL"), trading as Ninkasi Rentals and Finance, to 90% (30 June and 31 December 2020: 75%) for a cash consideration of £310,000.

The carrying value of non-controlling interest acquired at the date of acquisition was £44,000. The consideration in excess of the carrying amount of £266,000 has been charged directly to the profit and loss account.

### 17. Acquisition of financial instrument

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 provisionally determined as £68,000 at initial recognition based on the proportionate share of the net asset value of RFG.

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.

### 18. 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 and CFL are regulated by the FCA to provide regulated products and services.

### 19. 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.

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## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### NOTES

For the six months ended 30 June 2021

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#### **20. Subsequent events**

On 7 July 2021, the Company announced a dividend of 0.1724 pence per Ordinary Share for the period from 1 January 2020 to 31 December 2020, calculated as being 10% of the profit after tax available to Shareholders. The dividend was paid on 10th August 2021 to holders of Ordinary Shares recorded on the register on 16 July 2021. MFG also offered a Script Dividend Scheme under which Shareholders could elect to receive New Ordinary Shares in lieu of the cash dividend.

There were no other significant subsequent events identified after 30 June 2021.

#### **21. Approval of interim financial statements**

The interim financial statements were approved by the Board on 27 September 2021. The interim report will be available from that date at the Group's website - [www.mfg.im](http://www.mfg.im) and at the Registered Office: Clarendon House, Victoria Street, Douglas, Isle of Man, IM1 2LN. The Group's nominated adviser and broker is Beaumont Cornish Limited, Building 3, 566 Chiswick High Road, London W4 5YA. The interim and annual financial statements along with other supplementary information of interest to shareholders, are included on the Group's website. The website includes investor relations information, including corporate governance observance and contact details.

## Appendix - Glossary of terms

|                              |  |
|------------------------------|--|
| BBSL                         | Blue Star Business Solutions Limited                                       |
| BL                           | Burnbrae Limited   |
| BSL                          | Beer Swaps Limited   |
| Bank                         | Conister Bank Limited  |
| CFL                          | Conister Finance & Leasing Ltd   |
| Company                      | Manx Financial Group PLC   |
| EAL                          | Edgewater Associates Limited   |
| ECF                          | ECF Asset finance PLC  |
| FCA                          | UK Financial Conduct Authority   |
| FSA                          | Isle of Man Financial Services Authority                                   |
| Group                        | Comprise the Company and its subsidiaries                                  |
| HP                           | Hire Purchase  |
| IFA                          | Independent Financial Advisors   |
| Interim financial statements | Condensed consolidated interim financial statements                        |
| JM                           | Jim Mellon   |
| LSE                          | London Stock Exchange  |
| MFG                          | Manx Financial Group PLC   |
| MFx                          | Manx FX Limited  |
| MFx.L                        | Manx Financial Group PLC ticker symbol on the LSE                          |
| RFG                          | Rivers Finance Group Plc   |
| Subsidiaries                 | MFG's subsidiaries being EAL, MFx, BBSL, BSL, Bank, CFL, ECF, Three Spires |
| UK                           | United Kingdom   |
| UP                           | Unrelated parties  |



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