



Manx
Financial Group PLC

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

30 JUNE 2022

An independent banking and financial services 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”) 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.

Principal wholly owned subsidiaries:

- Conister Bank Limited
- Conister Finance & Leasing Ltd
- Blue Star Business Solutions Limited
- Edgewater Associates Limited
- MFX Limited
- Ninkasi Rentals & Finance 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.



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 £340 million (30 June 2021: £375 million, 31 December 2021: £368 million).



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.



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.



Ninkasi Rentals & Finance Limited (“NRFL”) was acquired as part of the Group’s strategy to develop a network of niche loan brokers within the UK.

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

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CHAIRMAN'S STATEMENT

Dear Shareholders

Introduction

As I reported in my last Chairman's Statement, inflationary pressures and central bank interventions still continue to be a negative influence on the global economy, with the Isle of Man and the UK being no exceptions to these burdens. But as a counter to this uncertainty, I believe that our diverse portfolio of financial services companies provides a level of insulation during these difficult times not afforded to many of our competitors. In addition, the strength of our Balance Sheet provides the Group with the opportunity for further selective acquisition, continuing our strategy of vertical integration by taking significant positions in specialist lending introducers.

Financial Review

Against this backdrop, I am pleased to report that at £2.3 million (2021: £1.1 million), the Group had its strongest half-year pre-tax profit for over a decade, being a 105% increase over the same period last year. There are several positives to draw out from this result:

Firstly, our dependency on intermediaries has fallen considerably with a record net trading income margin of 87% (2021: 81%) as our loans and advances to customers increased by £33.5 million to £244.9 million (2021: £211.4 million). This generated growth of £2.3 million in interest income to £13.2 million (2021: £11.0 million). Fee and commission expense reduced by £0.4 million to £1.5 million (2021: £1.9 million). I am particularly pleased with the latter decrease. This was a key objective about which I first wrote in my 2017 annual report when fee and commission expense stood at an unsustainable £8.4 million for that year.

Secondly, we have improved the Loan-to-Deposit ratio, a key performance measure. This ratio has increased by 6% to 97% (2021: 91%), which, in turn, has improved our net interest income margin by 2% to 80% (2021: 78%).

Finally, our cost of risk has fallen by 0.2% to 1.9% (2021: 2.1%), now at the lowest level since the onset of COVID at the beginning of 2020. This reduction is a positive trend and confirms that the bulk of delinquency caused by Covid has now passed, leaving a residual level of default with which to deal.

Turning to our Balance Sheet, our total assets increased by 12% to £317.7 million (2021: £283.7 million). Deposits increased by 10% to £253.6 million (2021: £231.2 million) as the Group optimised the headroom available in its Loan-to-Deposit ratio.

In short, the Group is well placed to enter into the anticipated recession with liquid assets of £54.5 million (2021: £57.2 million). This includes a HQLA (High-Quality Liquid Assets - those assets which can be immediately converted into cash) cover of 21.5% (2021: 24.7%); and the Bank's Tier 1 capital ratio of 14.2% (2021: 13.7%); and a total capital ratio of 17.7% (2021: 17.8%).

Shareholder Equity has also increased by 17% to £27.0 million (£23.1 million), with basic total comprehensive income earnings per share now at 1.94 pence (2021: 0.88 pence). Based on the last twelve months' profit, the Price/Earnings ratio is now 2.32, and the earnings yield over the same period (including share price movement plus the 2021 dividend) is 43.1%.

Business Review

The Bank's interest income increased by 9.4% to £11.9 million (2021: £10.9 million), which was partly offset by the additional interest expense of 13.3% to £2.3 million (2021: £2.0 million). Market uncertainty and inflation have impacted the Isle of Man deposit market, with depositors preferring to invest their savings in shorter-term products. Consequently, with interest rates rising, particularly in the fixed-term deposit market, the Bank's weighted average cost of funds on Deposits from customers is slowly rising by 0.1% to 1.6% (2021: 1.5%) to both retain and attract new depositors.

Similarly, Treasury Bills and UK Gilts have also seen a strong recovery of yields to over 2.0%. This has generated a positive return on the Treasury book. As such, our Treasury Assets have moved from Cash and Cash Equivalents to Debt Securities, generating a 45.4% increase to £40.2 million (2021: £27.6 million).

Following the Bank's participation in both the Isle of Man and UK Governments' business support schemes, the Bank has applied to continue in the UK Government's extension of the Recovery Loan Scheme. Along with this, the Bank has invested in its UK Structured Finance portfolio, as it protects the Bank with additional credit enhancements by Finance Intermediaries. The division grew by 53.7% to £46.7 million (2021: £30.34 million). This has been identified as a safe market segment for the Bank to grow its loan book sustainably whilst protecting the Bank against defaults. Pursuing a prime customer base over the last 18-months has also positioned the Bank well for a recession-proof loan book. Overall, the credit quality improved from a 78.5% exposure to prime customers to 85.0%

Personnel expenses increased by £0.2 million, driven by the impact of wage inflation. Overheads increased by only £0.2 million.

The Bank has an established IFRS 9 provision methodology and, together with its specific provisioning, has reserved £8.5 million (2021: £6.3 million) for delinquent debts. This, together with other credit enhancements offered by Government Guarantees and Financial Intermediaries, again provides the Bank with some insulation against the economic headwinds we face.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CHAIRMAN'S STATEMENT

Turning towards our other operating subsidiaries. We continue to be fortunate to have a highly motivated group of executive directors whom we can depend upon to maximise their business's opportunities within our agreed risk profile in this difficult market.

Of particular note is our foreign exchange advisory business. It continues to go from strength-to-strength with an impressive first-half profit before tax of £0.8 million (2021: £0.7 million). Whereas our IFA business suffered from market volatility, our foreign exchange advisory business benefitted, demonstrating the importance of having a diversified financial services group. The cost-income ratio of 16.3% (2021: 15.8%) is noticeably low and allows the company to expand and scale. The business continues to have a very liquid balance sheet and declared an interim dividend to the Group of £1.0 million during the half-year (2021: £0.6 million).

All our other operating subsidiaries traded profitably in the period under review, which is also pleasing to report.

Strategic Objectives

Our stated 2022 strategic priorities remain unchanged. As I reported in my last Chairman's Statement, one of the priorities is for the Group to develop its core business by considered acquisitions that could help accelerate shareholder value by addressing our discount between Net Asset Value and our market capitalisation.

You would have noted by my market announcement in May that the Group entered into a conditional agreement to acquire 50.1% of Payment Assist Limited's ("PAL") share capital. PAL is the UK's leading automotive repair point-of-sale finance provider, working with premier national chains such as National Tyres, Halfords and Formula One. PAL has now diversified lending into insured products and retail and had a loan book of £21.3 million as at 31 December 2021, an increase of 72% since 2019. As disclosed in their last published financial statements, PAL achieved revenue of £6.6 million in the 12 months to 31 December 2021, an increase of 69% since 2019 and EBITDA of £2.5 million for the period to 31 December 2021, an increase of 108% since 2019.

Our acquisition of PAL now has the regulatory approval to proceed, and we announced the completion of the 50.1% acquisition on 21 September 2022. I would personally like to thank the Executives for identifying a profitable acquisition which I expect will be transformational to the Group.

Board changes

In May, I also announced the retirement of our long-standing Non-Executive Director, David Gibson, who also served as Chairman of the Bank's Board. I would like to take this opportunity to once again thank David for his years of service to the Group, who undoubtedly assisted us in moving the Group forward into the levels of profitability which I bring to you in this report. In his stead of Bank Chairman, John Spellman, a fellow Group Non-Executive Director of the Bank and the Group, has succeeded David. John brings considerable experience of active engagement in the financial services sector, including acting as the strategic advisor to the Isle of Man government, specialising in finance and foreign direct investment.

Outlook

Despite the economic challenges that we face, I have every confidence that your Group will successfully weather this period of uncertainty. Our banking division continues to have a strong demand for its structured finance products in sectors that have proved resilient in recent years. This will not only be funded by our loyal Isle of Man deposit base but also through new sources of liquidity to further diversify the funding of this substantial lending pipeline.

Market volatility will continue to benefit our foreign exchange advisory business, but it will be less beneficial to our IFA business which, in turn, may have a negative impact on the carrying value of our goodwill at the year-end. That said, I would still expect the net effect on these two businesses to be positive.

Also, this economic environment has allowed the Group to develop its acquisition strategy, and I fully expect we will continue to acquire strategic shareholdings in other financial service businesses in the coming months. Our acquisitions in Payment Assist Limited, Blue Star Business Solutions Limited, Ninkasi Leasing & Rental Limited and The Business Lending Exchange Limited have all proved very accretive and we will continue to focus our efforts in identifying other acquisitions in niche, resilient markets.

In summary, we are well positioned to grow both organically and through acquisition despite the challenging economic headwinds.

Thank you

On behalf of your Board, I would like to take this opportunity to thank our staff for their splendid efforts in generating the results for this report and also to thank our shareholders and other stakeholders for their enduring loyalty.

Jim Mellon,
Executive Chairman
26 September 2022

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June 2022 £'000 (unaudited)	For the six months ended 30 June 2021 £'000 (unaudited)	For the year ended 31 December 2021 £'000 (audited)
	Notes			
Interest income	6	13,244	10,979	22,947
Interest expense		(2,712)	(2,424)	(4,967)
Net interest income		10,532	8,555	17,980
Fee and commission income		2,503	2,356	4,621
Fee and commission expense		(1,517)	(1,878)	(3,339)
Depreciation on leasing assets		(16)	(173)	(269)
Net trading income		11,502	8,860	18,993
Other operating income		275	129	365
(Loss) / gain on financial instruments	17	(139)	-	30
Realised gain / (loss) on debt securities		26	(1)	(1)
Revaluation on acquisition of subsidiary		-	-	660
Operating income		11,664	8,988	20,047
Personnel expenses		(4,091)	(3,241)	(7,156)
Other expenses		(2,355)	(2,099)	(4,500)
Impairment on loans and advances to customers		(2,268)	(2,142)	(4,360)
Depreciation		(357)	(323)	(675)
Amortisation and impairment of intangibles		(256)	(216)	(458)
Share of profit of equity accounted investees, net of tax		-	59	32
VAT recovery		-	113	113
Profit before tax payable		2,337	1,139	3,043
Income tax expense		(160)	(122)	(234)
Profit for the period / year		2,177	1,017	2,809

The notes on pages 10 to 16 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

		For the six months ended 30 June 2022 £'000 (unaudited)	For the six months ended 30 June 2021 £'000 (unaudited)	For the year ended 31 December 2021 £'000 (audited)
	Notes			
Profit for the period / year		2,177	1,017	2,809
Other comprehensive income:				
Items that will be reclassified to profit or loss				
Unrealised gain / (loss) on debt securities		43	(9)	(18)
Revaluation gain on property, plant and equipment		-	-	15
Recognition of deferred tax credit on defined benefit pension		-	-	67
Items that will never be reclassified to profit or loss				
Actuarial gain on defined benefit pension scheme taken to equity		-	-	172
Total comprehensive income for the period / year		2,220	1,008	3,045
Profit attributable to:				
Owners of the Company		2,161	1,029	2,793
Non-controlling interest		16	(12)	16
		2,177	1,017	2,809
Total comprehensive income attributable to:				
Owners of the Company		2,204	1,020	3,029
Non-controlling interest		16	(12)	16
		2,220	1,008	3,045
Earnings per share - profit for the period / year				
Basic earnings per share (pence)	8	1.90	0.89	2.46
Diluted earnings per share (pence)	8	1.49	0.73	1.97
Earnings per share - total comprehensive income for the period / year				
Basic earnings per share (pence)	8	1.94	0.88	2.66
Diluted earnings per share (pence)	8	1.52	0.72	2.13

The notes on pages 10 to 16 form 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 2022 £'000 (unaudited)	30 June 2021 £'000 (unaudited)	31 December 2021 £'000 (audited)
Assets				
Cash and cash equivalents		14,369	29,577	20,279
Debt securities	9	40,151	27,610	40,987
Equity held at FVTPL		68	68	68
Loans and advances to customers	5,10	244,923	211,445	229,251
Trade and other receivables	11	2,822	1,458	1,947
Property, plant and equipment		6,468	6,472	7,257
Intangible assets		2,431	2,329	2,508
Investment in associates		137	375	136
Goodwill	12	6,320	4,412	6,320
Total assets		317,689	283,746	308,753
Liabilities				
Deposits from customers		253,617	231,179	253,459
Creditors and accrued charges	13	4,605	4,058	4,745
Contingent consideration	17	335	613	1,023
Loan notes	14	31,332	23,722	23,672
Pension liability		631	846	687
Deferred tax liability		182	195	182
Total liabilities		290,702	260,613	283,768
Equity				
Called up share capital	15	19,195	19,121	19,133
Profit and loss account		7,705	3,984	5,781
Revaluation reserve		15	-	15
Non-controlling interest		72	28	56
Total equity		26,987	23,133	24,985
Total liabilities and equity		317,689	283,746	308,753

The notes on pages 10 to 16 form 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 £'000	Total equity £'000
	Share capital £'000	Profit and loss account £'000	Revaluation reserve £'000	Total £'000		
For the six months ended 30 June 2022						
Balance at 1 January 2021	19,121	3,230	-	22,351	84	22,435
<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)
Total comprehensive income for the period	-	1,020	-	1,020	(12)	1,008
<i>Changes in ownership interests:</i>						
Acquisition of subsidiary with non-controlling interest (Note 16)	-	(266)	-	(266)	(44)	(310)
Total changes in ownership interests	-	(266)	-	(266)	(44)	(310)
Balance at 30 June 2021	19,121	3,984	-	23,105	28	23,133
Balance at 1 July 2021	19,121	3,984	-	23,105	28	23,133
<i>Total comprehensive income for the period:</i>						
Profit for the period	-	1,764	-	1,764	28	1,792
Other comprehensive income	-	230	15	245	-	245
Total comprehensive income for the period	-	1,994	15	2,009	28	2,037
<i>Changes in ownership interests:</i>						
Dividend declared (see note 15)	12	(197)	-	(185)	-	(185)
Total changes in ownership interests	12	(197)	-	(185)	-	(185)
Balance at 31 December 2021	19,133	5,781	15	24,929	56	24,985
Balance at 1 January 2022	19,133	5,781	15	24,929	56	24,985
<i>Total comprehensive income for the period:</i>						
Profit for the period	-	2,161	-	2,161	16	2,177
Other comprehensive income	-	43	-	43	-	43
Total comprehensive income for the period	-	2,204	-	2,204	16	2,220
<i>Changes in ownership interests:</i>						
Dividend declared (see note 15)	62	(280)	-	(218)	-	(218)
Total changes in ownership interests	62	(280)	-	(218)	-	(218)
Balance at 30 June 2022	19,195	7,705	15	26,915	72	26,987

The notes on pages 10 to 16 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June 2022 £'000 (unaudited)	For the six months ended 30 June 2021 £'000 (unaudited)	For the year ended 31 December 2021 £'000 (audited)
	Notes			
RECONCILIATION OF PROFIT BEFORE TAXATION TO OPERATING CASH FLOWS				
Profit before tax		2,337	1,139	3,043
Adjustments for:				
Depreciation		373	496	944
Amortisation of intangibles		256	216	458
Share of profit of equity accounted investees		-	(59)	(32)
Contingent consideration interest expense		35	61	114
Pension charge included in personnel expenses		-	-	13
Gain on financial instruments		139	-	(30)
Revaluation on acquisition of subsidiary		-	-	(660)
		3,140	1,853	3,850
Changes in:				
Equity at FVTPL		-	4	4
Trade and other receivables	11	(875)	712	223
Creditors and accrued charges		18	767	(109)
Net cash flow from trading activities		2,283	3,336	3,968
Changes in:				
Loans and advances to customers	10	(15,672)	(18,302)	(36,128)
Deposits from customers		158	12,894	35,174
Pension contribution		(56)	(98)	(98)
Cash (outflow) / inflow from operating activities		(13,287)	(2,170)	2,916

The notes on pages 10 to 16 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		For the six months ended 30 June 2022 £'000 (unaudited)	For the six months ended 30 June 2021 £'000 (unaudited)	For the year ended 31 December 2021 £'000 (audited)
	Notes			
CASH FLOW STATEMENT				
Cash from operating activities				
Cash (outflow) / inflow from operating activities		(13,287)	(2,170)	2,916
Income taxes paid		(256)	-	(10)
		(13,543)	(2,170)	2,906
Cash flows from investing activities				
Purchase of property, plant and equipment		(655)	(1,172)	(2,109)
Purchase of intangible assets		(179)	(259)	(481)
Sale of property, plant and equipment		1,071	249	961
Acquisition of subsidiary or associate, net of cash acquired	16	-	(310)	(555)
Sale / (Purchase) of debt securities	9	878	(2,087)	(15,473)
Contingent consideration	17	(862)	(120)	(120)
		253	(3,699)	(17,777)
Cash flows from financing activities				
Receipt of loan notes	14	7,660	1,500	1,450
Payment of lease liabilities (capital)		(90)	(107)	(201)
Dividend paid		(190)	-	(152)
		7,380	1,393	1,097
Net cash inflow from financing activities				
		(5,910)	(4,476)	(13,774)
Net decrease in cash and cash equivalents				
Cash and cash equivalents - opening		20,279	34,053	34,053
		14,369	29,577	20,279
Cash and cash equivalents - closing				
Included in cash flows are:				
Interest received - cash amounts		12,976	10,757	22,624
Interest paid - cash amounts		(2,624)	(2,345)	4,936

The notes on pages 10 to 16 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2022

1. Reporting entity

Manx Financial Group PLC (the “Company” or “MFG”) is a company incorporated in the Isle of Man. These condensed consolidated interim financial statements (“interim financial statements”) are as at and for the six months ended 30 June 2022, and 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 2021 (“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 are the same as those described in the last annual financial statements.

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 41 - Financial risk management on pages 47 and 72 respectively of the Annual Financial Statements 2021.

An explanation of the terms Stage 1, Stage 2 and Stage 3 is included in Note 43 (G)(vii) on page 81 of the Annual Financial Statements 2021.

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

30 June (unaudited)	2022				2021			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade A	226,577	-	-	226,577	195,141	-	-	195,141
Grade B	-	5,579	8,591	14,170	-	4,437	7,255	11,692
Grade C	516	-	12,197	12,713	589	50	10,248	10,887
Gross value	227,093	5,579	20,788	253,460	195,730	4,487	17,503	217,720
Allowance for impairment	(341)	(10)	(8,186)	(8,537)	(698)	(14)	(5,563)	(6,275)
Carrying value	226,752	5,569	12,602	244,923	195,032	4,473	11,940	211,445

31 December (audited)	2021				2020			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade A	213,103	-	-	213,103	173,673	-	-	173,673
Grade B	-	5,735	5,594	11,329	-	5,728	7,751	13,479
Grade C	342	541	12,656	13,539	335	9	12,771	13,115
Gross value	213,445	6,276	18,250	237,971	174,008	5,737	20,522	200,267
Allowance for impairment	(503)	(124)	(8,093)	(8,720)	(423)	(18)	(6,683)	(7,124)
Carrying value	212,942	6,152	10,157	229,251	173,585	5,719	13,839	193,143

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.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2022

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

30 June (unaudited)	2022				2021			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Current	221,901	-	-	221,901	193,435	-	-	193,435
Overdue < 30 days	5,192	-	-	5,192	2,293	-	-	2,293
Overdue > 30 days	-	5,579	20,788	26,367	-	4,488	17,504	21,992
	227,093	5,579	20,788	253,460	195,728	4,488	17,504	217,720

31 December (audited)	2021				2020			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Current	210,491	-	-	210,491	170,436	-	-	170,436
Overdue < 30 days	2,954	-	-	2,954	3,572	-	-	3,572
Overdue > 30 days	-	6,276	18,250	24,526	-	5,737	20,522	26,259
	213,445	6,276	18,250	237,971	174,008	5,737	20,522	200,267

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.

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 for business segments is based on the Group's management and internal reporting structure. The Directors consider that the Group operates in three (2021: three) product orientated segments in addition to its investing activities: (i) Asset and Personal Finance (including provision of HP contracts, finance leases, personal loans, commercial loans, block discounting, vehicle stocking plans and wholesale funding agreements); (ii) Edgewater Associates Limited (provision of financial advice), and (iii) MFX Limited (provision of foreign currency transaction services).

For the 6 months ended 30 June 2022 (unaudited)	Asset and Personal Finance £'000	Edgewater Associates £'000	MFX £'000	Investing Activities £'000	Total £'000
Net interest income	10,532	-	-	-	10,532
Fee and commission income	518	1,076	909	-	2,503
Operating income	9,688	1,076	900	-	11,664
Profit before tax payable	1,713	26	753	(155)	2,337
Capital expenditure	785	45	3	1	834
Total assets	303,163	2,298	620	11,608	317,689
Total liabilities	270,885	543	75	19,199	290,702

For the 6 months ended 30 June 2021 (unaudited)	Asset and Personal Finance £'000	Edgewater Associates £'000	MFX £'000	Investing Activities £'000	Total £'000
Net interest income / (expense)	9,201	-	-	(646)	8,555
Fee and commission income	469	1,031	856	-	2,356
Operating income	6,456	1,031	852	649	8,988
Profit / (loss) before tax payable	759	(12)	717	(325)	1,139
Capital expenditure	1,384	-	24	23	1,431
Total assets	274,832	2,150	615	6,149	283,746
Total liabilities	243,136	545	8	16,924	260,613

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For the six months ended 30 June 2022

For the year ended 31 December 2021 (audited)	Asset and Personal Finance £000	Edgewater Associates £000	MFX £000	Investing Activities £000	Total £000
Net interest income	17,980	-	-	-	17,980
Fee and commission income	811	2,282	1,528	-	4,621
Operating income	16,251	2,282	1,514	-	20,047
Profit / (loss) before tax payable	2,528	114	1,277	(826)	3,043
Capital expenditure	3,083	13	1	5	3,102
Total assets	292,721	2,330	802	12,900	308,753
Total liabilities	265,751	638	61	17,318	283,768

8. Earnings per share

	For the 6 months ended 30 June 2022 (unaudited)	For the 6 months ended 30 June 2021 (unaudited)	For the year ended 31 Dec 2021 (audited)
Profit for the period / year	£2,177,000	£1,017,000	£2,809,000
Weighted average number of ordinary shares in issue (basic)	114,447,909	114,130,077	114,291,639
Basic earnings per share (pence)	1.90	0.89	2.46
Diluted earnings per share (pence)	1.49	0.73	1.97
Total comprehensive income for the period / year	£2,220,000	£1,008,000	£3,045,000
Weighted average number of ordinary shares in issue (basic)	114,447,909	114,130,077	114,291,639
Basic earnings per share (pence)	1.94	0.88	2.66
Diluted earnings per share (pence)	1.52	0.72	2.13

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 2022 (unaudited)	30 June 2021 (unaudited)	31 Dec 2021 (audited)
Reconciliation of weighted average number of ordinary shares in issue between basic and diluted			
Weighted average number of ordinary shares (basic)	114,447,909	114,130,077	114,291,639
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)	151,003,465	150,685,633	150,847,195
Reconciliation of profit for the period / year between basic and diluted			
Profit for the period / year (basic)	£2,177,000	£1,017,000	£2,809,000
Interest expense saved if all convertible loan notes were exchanged for equity	£76,250	£83,125	£166,250
Profit for the period / year (diluted)	£2,253,250	£1,100,125	£2,975,250

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

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For the six months ended 30 June 2022

As at	30 June 2022 (unaudited)	30 June 2021 (unaudited)	31 Dec 2021 (audited)
Reconciliation of total comprehensive income for the period / year between basic and diluted			
Total comprehensive income for the period / year (basic)	£2,220,000	£1,008,000	£3,045,000
Interest expense saved if all convertible loan notes were exchanged for equity	£76,250	£83,125	£166,250
Total comprehensive income for the period / year (diluted)	£2,296,250	£1,091,125	£3,211,250

9. Debt securities

As at	30 June 2022 £'000 (unaudited)	30 June 2021 £'000 (unaudited)	31 Dec 2021 £'000 (audited)
Financial assets at fair value through other comprehensive income:			
UK Government treasury bills	40,151	27,610	40,987
Financial assets at amortised cost:			
UK Certificates of Deposit	-	-	-
	40,151	27,610	40,987

UK Government Treasury Bills are stated at fair value and unrealised changes in the fair value are reflected in other comprehensive income. There were £26,000 realised gains (30 June 2021: realised losses of £1,000 and 31 December 2021: realised losses of £1,000) and unrealised gains of £43,000 (30 June 2021: unrealised losses of £9,000 and 31 December 2021: unrealised losses of £18,000) for the period.

10. Loans and advances to customers

As at	Gross Amount £'000	Impairment Allowance £'000	30 June 2022 Carrying Value £'000 (unaudited)	30 June 2021 Carrying Value £'000 (unaudited)	31 Dec 2021 Carrying Value £'000 (audited)
HP balances	64,766	(3,444)	61,322	67,632	67,682
Finance lease balances	23,781	(3,629)	20,152	29,538	24,814
Unsecured personal loans	36,522	(587)	35,935	31,608	30,730
Vehicle stocking plans	1,825	-	1,825	1,520	1,675
Wholesale funding arrangements	17,803	-	17,803	16,890	15,447
Block discounting	28,877	-	28,877	13,488	16,465
Secured commercial loans	13,046	(504)	12,542	9,701	10,580
Secured personal loans	1,422	-	1,422	1,746	1,739
Government backed loans	65,418	(373)	65,045	39,322	60,119
	253,460	(8,537)	244,923	211,445	229,251

11. Trade and other receivables

As at	30 June 2022 £'000 (unaudited)	30 June 2021 £'000 (unaudited)	31 Dec 2021 £'000 (audited)
Prepayments	1,068	360	498
Other debtors	1,754	1,098	1,449
	2,822	1,458	1,947

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For the six months ended 30 June 2022

12. Goodwill

As at	30 June 2022 £'000 (unaudited)	30 June 2021 £'000 (unaudited)	31 Dec 2021 £'000 (audited)
EAL	1,849	1,849	1,849
BLX	1,908	-	1,908
BBSL	1,390	1,390	1,390
NRFL	678	678	678
Manx Collections Limited ("MCL")	454	454	454
Three Spires Insurance Services Limited ("Three Spires")	41	41	41
	6,320	4,412	6,320

13. Creditors and accrued charges

As at	30 June 2022 £'000 (unaudited)	30 June 2021 £'000 (unaudited)	31 Dec 2021 £'000 (audited)
Commission creditors	1,401	2,345	1,520
Other creditors and accruals	1,472	1,063	1,335
Lease liability	1,205	396	1,295
Taxation creditors	454	254	550
Dividend payable	73	-	45
	4,605	4,058	4,745

14. Loan notes

As at	Notes	30 June 2022 £'000 (unaudited)	30 June 2021 £'000 (unaudited)	31 Dec 2021 £'000 (audited)
Related parties				
J Mellon	JM	1,750	1,750	1,750
Burnbrae Limited	BL	3,200	3,200	3,200
Culminant Reinsurance Ltd	CR	1,000	1,000	1,000
		5,950	5,950	5,950
Unrelated parties				
	UP	25,382	17,772	17,722
		31,332	23,722	23,672

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. Refer to Note 21 for post period end subsequent loan note renewals.

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. Refer to Note 21 for post period end subsequent loan note renewals.

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

UP - 39 loans with an average balance of £650,823 and an average interest payable of 5.66% per annum. The earliest maturity date is 31 July 2022 and the latest maturity is 4 January 2027.

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.

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15. Called up share capital

Ordinary Shares of no-par value available for issue	Number	
At 30 June 2022, 31 December 2021 and 30 June 2021	200,200,000	
Issued and fully paid ordinary Shares of no par value	Number	£'000
Balance at 30 June 2021	114,130,077	19,121
Scrip dividend at 7.0575 per share	161,562	12
Balance at 31 December 2021	114,291,639	19,133
Scrip dividend at 8.0250 per share	781,349	62
Balance at 30 June 2022	115,072,988	19,195

On 25 May 2022, MFG declared a dividend of £279,200 (2021: £196,800 which could either be taken up in cash or new ordinary shares. 781,349 new shares (2021: 161,562 new shares) were admitted to the Alternative Investment Market ("AIM") at 8.02050 pence per share (2021: 7.0575 pence per share), at a total cost of £62,000 (2021: £11,402).

There are three convertible loans totalling £2,950,000 (30 June and 31 December 2021: 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 2021:1,050,000) remain outstanding.

16. Non-controlling interest

On 14 June 2021, the Group increased its shareholding in Ninkasi Rentals & Finance Limited ("NRFL") to 90%. Non-controlling interest represents ordinary share capital in NRFL held by the previous owners of NRFL who remain employed by NRFL.

17. Deferred consideration

As at	30 June 2022 £'000 (unaudited)	30 June 2021 £'000 (unaudited)	31 Dec 2021 £'000 (audited)
Opening balance	1,023	672	672
Assumed in a business combination		-	387
Finance costs	35	61	114
Net change in fair value (unrealised)	139	-	(30)
	174	61	84
Payment	(862)	(120)	(120)
Closing balance	335	613	1,023

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

On acquisition of BBSL on 16 April 2019, the Group agreed to pay the selling shareholders:

- 50% of net profits in BBSL for 3 years post completion; and
- 50% of the incremental net profit that the Group benefits from as a result of taking up BBSL loan proposals post completion up until the third anniversary.

This was to be paid on each anniversary with a final payment in year 4 for the unrealised lending profit. The Group made final instalment and settlement of this contingent consideration when it made the final payment of £781,095 during the period.

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 £80,611 to the sellers during the period.

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18. Conditional Acquisition

On 16 May 2022, Manx Ventures Limited ("MVL"), a wholly owned subsidiary of the Company, agreed to acquire a 50.1% interest (the "Acquisition") in UK focused, point of sale lender Payment Assist Limited ("Payment Assist") for a total initial consideration of £4 million payable in cash.

In addition to the Acquisition, Manx Ventures has agreed an option to acquire the remaining 49.9% of Payment Assist for cash consideration of up to £5 million (the "Option"). The Option can be exercised by Manx Ventures at any time for a period of two years after publication by Payment Assist of its audited accounts for the period to 31 December 2024. MFG will fund the initial £4 million consideration and deferred consideration of up to £5 million from its cash resources.

The Acquisition, and hence the Option, is subject to the satisfaction of certain conditions precedent including approval of the change of control by the FCA. The Acquisition was completed and announced to the market on 21 September 2022.

19. Regulators

Certain Group subsidiaries are regulated by the Isle of Man Financial Services Authority (FSA) and the United Kingdom Financial Conduct Authority (FCA) as detailed below.

The Bank and EAL are regulated by the FSA under a Class 1(1) - Deposit Taking licence, and a Class 2 - Investment Business licence respectively. The Bank and CFL are regulated by the FCA to provide regulated products and services.

20. 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. This creates a liability on the Bank to participate in the compensation of depositors should it be activated.

21. Subsequent events

On 22 July 2022, JM and BL agreed to extend outstanding unsecured convertible loans of £1.7 million, expiring on 31 July 2022, for a further five years to 31 July 2027. A loan of £1.2 million is from BL and the remaining loan of £0.5 million is from JM himself. The new annual interest rate will be 7.5% (previously 5.0%) and the new conversion price will be 8.0 pence per share (previously 7.5 pence). All other terms are unchanged, including the ability for the Company to repay the loans at any time during the period.

On 5 July 2022, MFG granted Restricted Stock Units ("RSUs") under its 2022 RSU Plan. The Group has issued, in total, RSUs over 2,120,000 ordinary shares representing 1.8% of the issued share capital of the Group, including 1,100,000 to certain directors and 1,020,000 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, both at the Group and Company level and the satisfaction of individual performance targets and other metrics, including the achievement of additional sources of liquidity for increased lending requirements. 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 granted at nil cost.

The Group directors who received RSUs are as follows:

- Douglas Grant, Group Chief Executive Officer, who currently owns 533,951 ordinary shares in the Company representing a holding of 0.46% was issued 925,000 RSUs. Including 700,000 Share Options issued 24 June 2014, he would hold a total of 2,158,951 ordinary shares, being 1.8% of the issued share capital of the Company on a fully diluted basis; and
- James Smeed, Group Finance Director, was issued 175,000 RSUs. On the same basis, he would hold 0.15% of the new issued share capital of the Company.

There were no other significant subsequent events identified after 30 June 2022.

22. Approval of interim financial statements

The interim financial statements were approved by the Board on 26 September 2022. The interim report will be available from that date at the Group's website - 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
Bank	Conister Bank Limited
CFL	Conister Finance & Leasing Ltd
Company	Manx Financial Group PLC
EAL	Edgewater Associates Limited
FCA	UK Financial Conduct Authority
FVTPL	Fair value through profit and loss
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	MFX Limited
MFX.L	Manx Financial Group PLC ticker symbol on the LSE
MVL	Manx Ventures Limited
NRFL	Ninkasi Rentals & Finance Limited
RFG	Rivers Finance Group Plc
Subsidiaries	MFG's subsidiaries being EAL, MFX, BBSL, NRFL, Bank, CFL, MVL, Three Spires
UK	United Kingdom
UP	Unrelated parties



Clarendon House
Victoria Street
Douglas
Isle of Man
IM1 2LN

Tel: (01624) 694694
Fax: (01624) 624278

www.mfg.im