



**Putting  
people first**

# Integrity through independence and service

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## Highlights for the period

### Advances

**£182.6m**      **+64.6%**  
2022: £110.9m

### Loan book growth

**£343.2m**      **+40.1%**  
2022: £244.9m

### Balance sheet growth

**£419.7m**      **+32.1%**  
2022: £317.7m

### Loan to deposit ratio

**103.2%**      **+6.9%**  
2022: 96.6%

### Profit before tax

**£3.0m**      **+29.7%**  
2022: £2.3m

### Profit after tax

**£2.5m**      **+16.6%**  
2022: £2.2m

### Return on equity (annualised)

**17.1%**  
2022: 17.4%

# Welcome to Manx Financial Group PLC

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 and to gain greater market share in its preferred markets.

## The Group’s subsidiaries are:



**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 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.



**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.



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

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



**Blue Star Business Solutions Limited** (“BBSL”) is a finance broker providing asset finance and commercial loans in the UK to the small and medium sized enterprises market. BBSL was acquired as part of the Group’s strategy to increase its distribution in the UK broker credit market.



**Edgewater 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 £366 million (30 June 2022: £340 million, 31 December 2022: £319 million).



**Ninkasi Rentals & Finance Limited** (“NRFL”) is part of the Group’s strategy to increase its access to underserved UK credit markets.

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



**The Business Lending Exchange** (“BLX”) is part of the Group’s strategy to increase its access to underserved UK credit markets.

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

# Chairman's Statement

## Dear Shareholders

### Introduction

The unsettled economic environment in the aftermath of the mini budget in September 2022, together with the impact of the continuing war in Ukraine, has created a very challenging marketplace for the Group. But I am now confident that the UK is approaching the bottom of its credit cycle, despite the economy having never entered a recession.

With this backdrop it is pleasing to announce another record half year with a 30% increase in our Profit Before Tax Payable to £3.0 million (30 June 2022: £2.3 million) – a good result which I will discuss in greater detail in the financial review section of this report.

### Strategy update

We are progressing our UK Branch banking licence which will allow Conister Bank Limited to access up to £500 million of additional liquidity in the form of non-transactional Deposit Accounts to complement its Isle of Man full Deposit taking licence. Obtaining the Branch banking licence is progressing as planned and I would expect a response from both the Isle of Man and UK regulators before the end of this year. This licence forms part of our funding and liquidity strategy which, in turn, underpins our ability to deliver stable earnings growth. To achieve stable earnings, we have maintained our objectives of growth through gaining market share in recession-proof markets in a customer focused, regulatory compliant, and credit conscious manner.

Our acquisition strategy remains unabated for companies operating in sectors that we either already operate within, and where we are seeking a greater market share, or for companies that operate profitably in sectors in which we would like to enter.

The Group has embarked on a multi-year, multi-million-pound IT investment programme which will be both customer focused and scalable to allow the business to achieve its growth ambitions in a regulatory compliant and controlled manner.

As I stated in the Group's 2022 Annual Report, climate change is bringing commercial and reputational risks to the finance industry. Whilst this is viewed externally as a longer-term issue, the financial risks are becoming apparent now, and the Board currently considers climate change as part of its governance framework. We have trialled our ESG strategy on Conister Bank Limited and I still expect to extend it to cover all our wholly owned operating subsidiaries by the end of this year.

### Financial Review

The full impact of the Bank of England's 14 consecutive interest rate increases to curb the UK's stubbornly high inflation rate negatively impacted our net interest margin by 6% as we continued to acquire deposits to fund our growing loan book. This margin erosion is clear evidence of Conister Bank Limited passing on interest rate increases to the Island's long-suffering savers and indeed it has proved very successful in attracting a significant number of new depositors. It is worth noting that this margin erosion has been partially offset by our increasing yields, which once the interest rates start decreasing, will help to restore our net interest margin to a more normalised position. We lent a record £182.6 million in the first six months of this year, some £71.7 million, or 65%, ahead of the same period last year (30 June 2022: £110.9 million). In turn, this increased our Net Interest Income by 56% to £16.4 million (30 June 2022: £10.5 million) despite the margin erosion. It is worth noting that to minimise the impact of the margin erosion we have optimised our Loan-to-Deposit ratio by a 6% improvement to 103% (31 December 2022: 97%).

Turning to our balance sheet, during this turbulent period we have focused on balancing net loan book growth, by ensuring we continue to lend in markets that have a positive credit history. Since 30 June 2022, the net loan book has increased by £98.3 million, or 40%, to £343.3 million (30 June 2022: £244.9 million), and by a healthy £51.8 million since the year-end (31 December 2022: £291.5 million). Deferred income, being income already secured but not released to the Income Statement now stands at £45.9 million (30 June 2022: £32.5 million).

Deposits have increased by £78.9 million to £332.5 million (30 June 2022: £253.6 million), and £28.3 million since the year-end (31 December 2022: £304.2 million).

### Business Review

Conister Bank Limited remains the driver of the Group's profitability and performed admirably in these difficult market conditions. Through its prudent lending, Interest Income increased by £2.8 million to



£14.7 million (30 June 2022: £11.9 million) which after Interest Expense of £4.9 million (30 June 2022: £2.3 million) derived Net Interest Income of £9.8 million (30 June 2022: £9.7 million). This increase in Interest Expense is driven by both the increase in the deposit base to fund our record lending of £182.6 million, and the impact of increases in the Bank of England interest rate. Our cost of funds increased from 1.59% as of 30 June 2022 to 3.38% as at 30 June 2023. Over the same period our cost of risk remained stable at 0.1%.

Our focus on containing third party fees continued with Fee and Commission Expense representing less than 1.4% of advances in the period (30 June 2022: 1.2%), which in turn led to a decrease in Net Trading Income of £1.0 million to £7.3 million (30 June 2022: £8.3 million).

Our Treasury management was able to obtain improved returns with income of £0.7 million (30 June 2022: £nil million) and we remain committed to our conservative approach and do not have any unrealised losses on our book due to it being mainly short-term in nature.

Overheads increased by £0.6 million to £4.5 million (30 June 2022: £3.9 million) as underlying inflationary pressure on our cost base was supplemented by costs relating to recruiting the establishment required to operate the UK Branch, together with the commencement of our long-term IT strategy.

Moving to the balance sheet, record lending helped both to improve our liquidity efficiency and to grow our net loan book to £343.3 million (30 June 2022: £244.9 million). Our conservative approach to provisioning remains a tenet of our business with provisioning of £10.1 million (30 June 2022: £8.5 million). Although we are seeking a UK Branch deposit taking licence, our loyal Isle of Man deposit customers remain fundamental to our growth strategy, and it is pleasing to note our retention rate of 82% reflects their continuing trust in us (30 June 2022: 77%).

All our other major operating subsidiaries performed admirably during the period under review and their continued drive for compliant, profitable business will stand us in good stead for the future.

Notably, our foreign exchange advisory business thrives on these turbulent market conditions, as does our recently acquired short-term lender, Payment Assist Limited ("PAL"). PAL provides a market leading product offering to the auto vehicle maintenance and retail market.

## Outlook

We expect market conditions to remain challenging through to Quarter 2 next year at which point we should see the market improving as interest rates start to abate. This will improve disposable income levels for corporates and individuals alike. Some of the current inflation is not transitory and I expect inflation to remain higher for longer than some economists are

currently forecasting. This will be positive for savers, and it should provide a period for lenders to bring their net interest margin back into its more traditional range. We expect advances for the year to be circa £0.4 billion (2022: circa £0.3 billion), split approximately 20:80 between the Isle of Man and the UK respectively.

Your Group currently has the right products to lend under such a scenario and I would expect our current short-term lending products along with our structured finance products to remain popular. Other complementary products and funding solutions are being developed which will be introduced into the market as this year progresses.

Our diversified lending portfolio of Conister, Payment Assist Limited, Blue Star Business Solutions Limited, Ninkasi Rentals & Finance Limited and The Business Lending Exchange are all market specialists in their specific market segments which provides us with some insulation from any single market decline.

Our FX business should also perform well under these circumstances.

We will continue to seek strategic acquisitions, including within the general insurance market, to support our existing customer base and to broaden our reach into new jurisdictions.

All of this, along with diversifying our sources of liquidity, should position the Group well for a strong finish to this year and to the start of 2024.

In summary, we remain well positioned to continue to grow organically in this difficult market but also to seek acquisitions to gain market share in markets that have historically demonstrated to be commercially resilient.

## Presentation and webcast for analysts and investors

A conference call with management including an opportunity to ask questions will commence at 11:00am (BST) on 25 September 2023. A copy of the presentation will be available on the investor relations section of [www.mfg.im](http://www.mfg.im) from 3:00pm that day. To access the webcast, please register your interest by writing to [investor@mfg.im](mailto:investor@mfg.im) along with any advanced questions you may have by 9:00 am (BST) on 25 September 2023.

## Thank you

These results could not be achieved without the continued support of our staff, our customers, and your Board – I thank them all.

## Jim Mellon

Executive Chairman  
20 September 2023

# Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

	Notes	For the six months ended 30 June 2023 £'000 (unaudited)	For the six months ended 30 June 2022 £'000 (unaudited)	For the year ended 31 December 2022 £'000 (audited)
Interest revenue calculated using the effective interest method	6	21,458	12,336	28,978
Other Interest income	6	713	908	1,765
Interest expense		(5,787)	(2,712)	(6,391)
<b>Net interest income</b>		<b>16,384</b>	<b>10,532</b>	<b>24,352</b>
Fee and commission income		2,248	2,503	4,719
Fee and commission expense		(3,046)	(1,517)	(3,569)
Depreciation on leasing assets		-	(16)	(16)
<b>Net trading income</b>		<b>15,586</b>	<b>11,502</b>	<b>25,486</b>
Other operating income		62	275	314
Loss on financial instruments		-	(139)	(19)
Realised gain on debt securities	9	664	26	292
<b>Operating income</b>		<b>16,312</b>	<b>11,664</b>	<b>26,073</b>
Personnel expenses		(6,236)	(4,091)	(9,764)
Other expenses		(3,031)	(2,355)	(5,806)
Provision for impairment on loans and advances to customers		(3,294)	(2,268)	(3,990)
Depreciation		(407)	(357)	(738)
Amortisation and impairment of intangibles		(312)	(256)	(582)
Share of profit of equity accounted investees, net of tax		-	-	18
<b>Profit before tax payable</b>		<b>3,032</b>	<b>2,337</b>	<b>5,211</b>
Income tax expense		(493)	(160)	(537)
<b>Profit for the period/year</b>		<b>2,539</b>	<b>2,177</b>	<b>4,674</b>

The notes on pages 10 to 19 form an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income continued

Notes	For the six months ended 30 June 2023 £'000 (unaudited)	For the six months ended 30 June 2022 £'000 (unaudited)	For the year ended 31 December 2022 £'000 (audited)
<b>Profit for the period/year</b>	<b>2,539</b>	<b>2,177</b>	<b>4,674</b>
<b>Other comprehensive income:</b>			
<b>Items that will be reclassified to profit or loss</b>			
Unrealised gain on debt securities	62	43	131
<b>Items that will never be reclassified to profit or loss</b>			
Actuarial gain on defined benefit pension scheme taken to equity	-	-	407
<b>Total comprehensive income for the period/year</b>	<b>2,601</b>	<b>2,220</b>	<b>5,212</b>
<b>Profit attributable to:</b>			
Owners of the Company	1,927	2,161	4,331
Non-controlling interest	612	16	343
	2,539	2,177	4,674
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	1,989	2,204	4,869
Non-controlling interest	612	16	343
	2,601	2,220	5,212
<b>Earnings per share – profit for the period/year</b>			
Basic earnings per share (pence)	8	1.67	3.77
Diluted earnings per share (pence)	8	1.30	2.93
<b>Earnings per share – total comprehensive income for the period/year</b>			
Basic earnings per share (pence)	8	1.73	4.24
Diluted earnings per share (pence)	8	1.34	3.28

The notes on pages 10 to 19 form an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Financial Position

As at	Notes	30 June 2023 £'000 (unaudited)	30 June 2022 £'000 (unaudited)	31 December 2022 £'000 (audited)
<b>Assets</b>				
Cash and cash equivalents		17,267	14,369	22,630
Debt securities	9	31,371	40,151	40,675
Equity held at Fair Value Through Profit or Loss		122	68	122
Loans and advances to customers	5,10	343,244	244,923	291,475
Trade and other receivables	11	7,227	2,822	4,211
Property, plant and equipment		6,665	6,468	6,714
Intangible assets		3,028	2,431	2,703
Investment in associates	19	197	137	155
Goodwill	12	10,576	6,320	10,576
<b>Total assets</b>		<b>419,697</b>	<b>317,689</b>	<b>379,261</b>
<b>Liabilities</b>				
Deposits from customers		332,509	253,617	304,199
Creditors and accrued charges	13	14,857	4,605	13,108
Deferred consideration	16	216	335	262
Loan notes	14	39,492	31,332	31,332
Pension liability		240	631	237
Deferred tax liability		353	182	353
<b>Total liabilities</b>		<b>387,667</b>	<b>290,702</b>	<b>349,491</b>
<b>Equity</b>				
Called up share capital	15	19,287	19,195	19,195
Profit and loss account		11,927	7,705	10,371
Revaluation reserve		15	15	15
Non-controlling interest		801	72	189
<b>Total equity</b>		<b>32,030</b>	<b>26,987</b>	<b>29,770</b>
<b>Total liabilities and equity</b>		<b>419,697</b>	<b>317,689</b>	<b>379,261</b>

The notes on pages 10 to 19 form an integral part of these condensed consolidated interim financial statements.



# Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					
	Share capital £'000	Profit and loss account £'000	Revaluation reserve £'000	Total £'000	Non- controlling interest £'000	Total equity £'000
<b>For the six months ended 30 June 2023</b>						
<b>Balance at 1 January 2022</b>	<b>19,133</b>	<b>5,781</b>	<b>15</b>	<b>24,929</b>	<b>56</b>	<b>24,985</b>
Total comprehensive income for the period:						
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
<b>Changes in ownership interests:</b>						
Dividend declared (see note 15)	62	(280)	-	(218)	-	(218)
<b>Total changes in ownership interests</b>	<b>62</b>	<b>(280)</b>	<b>-</b>	<b>(218)</b>	<b>-</b>	<b>(218)</b>
<b>Balance at 30 June 2022</b>	<b>19,195</b>	<b>7,705</b>	<b>15</b>	<b>26,915</b>	<b>72</b>	<b>26,987</b>
<b>Balance at 1 July 2022</b>	<b>19,195</b>	<b>7,705</b>	<b>15</b>	<b>26,915</b>	<b>72</b>	<b>26,987</b>
Total comprehensive income for the period:						
Profit for the period	-	2,170	-	2,170	327	2,497
Other comprehensive income	-	496	-	496	-	496
Total comprehensive income for the period	-	2,666	-	2,666	327	2,993
Changes in ownership interests:						
Dividend declared	-	-	-	-	-	-
Acquisition of subsidiary with non-controlling interest	-	-	-	-	(210)	(210)
Total changes in ownership interests	-	-	-	-	(210)	(210)
<b>Balance at 31 December 2022</b>	<b>19,195</b>	<b>10,371</b>	<b>15</b>	<b>29,581</b>	<b>189</b>	<b>29,770</b>
<b>Balance at 1 January 2023</b>	<b>19,195</b>	<b>10,371</b>	<b>15</b>	<b>29,581</b>	<b>189</b>	<b>29,770</b>
Total comprehensive income for the period:						
Profit for the period	-	1,927	-	1,927	612	2,539
Other comprehensive income	-	62	-	62	-	62
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,989</b>	<b>-</b>	<b>1,989</b>	<b>612</b>	<b>2,601</b>
Changes in ownership interests:						
Dividend declared (see note 15)	92	(433)	-	(341)	-	(341)
<b>Total changes in ownership interests</b>	<b>92</b>	<b>(433)</b>	<b>-</b>	<b>(341)</b>	<b>-</b>	<b>(341)</b>
<b>Balance at 30 June 2023</b>	<b>19,287</b>	<b>11,927</b>	<b>15</b>	<b>31,229</b>	<b>801</b>	<b>32,030</b>

The notes on pages 10 to 19 form an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Cash Flows

Notes	For the six months ended 30 June 2023 £'000 (unaudited)	For the six months ended 30 June 2022 £'000 (unaudited)	For the year ended 31 December 2022 £'000 (audited)
<b>Reconciliation of profit before taxation to operating cash flows</b>			
<b>Profit before tax</b>	<b>3,032</b>	<b>2,337</b>	<b>5,211</b>
Adjustments for:			
Depreciation	407	373	754
Amortisation of intangibles	312	256	582
Share of profit of equity accounted investees	-	-	(18)
Contingent consideration interest expense	4	35	102
Pension charge included in personnel expenses	3	-	14
Gain on financial instruments	-	139	19
	3,758	3,140	6,664
Changes in:			
Trade and other receivables	(3,016)	(875)	(2,228)
Creditors and accrued charges	1,283	18	1,436
<b>Net cash flow from trading activities</b>	<b>2,025</b>	<b>2,283</b>	<b>5,872</b>
Changes in:			
Loans and advances to customers	(78,256)	(28,648)	(83,066)
Deposits from customers	28,310	2,782	50,740
Pension contribution	-	(56)	(57)
<b>Cash outflow from operating activities</b>	<b>(47,921)</b>	<b>(23,639)</b>	<b>(26,511)</b>

The notes on pages 10 to 19 form an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Statement of Cash Flows continued

Notes	For the six months ended 30 June 2023 £'000 (unaudited)	For the six months ended 30 June 2022 £'000 (unaudited)	For the year ended 31 December 2022 £'000 (audited)
<b>CASH FLOW STATEMENT</b>			
<b>Cash from operating activities</b>			
	(47,921)	(23,639)	(26,511)
	20,888	12,976	30,136
	5,599	(2,624)	(6,184)
	(331)	(256)	(157)
	<b>(21,765)</b>	<b>(13,543)</b>	<b>(2,716)</b>
<b>Cash flows from investing activities</b>			
	(356)	(655)	(1,473)
	(638)	(179)	(504)
	-	1,071	2,083
	-	-	(1,785)
9	9,366	878	442
16	(50)	(862)	(937)
	<b>8,322</b>	<b>253</b>	<b>(2,174)</b>
<b>Cash flows from financing activities</b>			
14	8,159	7,660	7,660
	(79)	(90)	(202)
	-	(190)	(217)
	<b>8,080</b>	<b>7,380</b>	<b>7,241</b>
	<b>(5,363)</b>	<b>(5,910)</b>	<b>2,351</b>
	22,630	20,279	20,279
	<b>17,267</b>	<b>14,369</b>	<b>22,630</b>

Non-cash investing activities disclosed in Note 19 is the £42,000 acquisition of 10% shareholding in Lesley Stephen & Co Limited (LSC).

The notes on pages 10 to 19 form an integral part of these condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

## 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 2023, 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 2022 (“Annual Financial Statements 2022”). 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 42 – Financial risk management on pages 48 and 74 respectively of the Annual Financial Statements 2022.

An explanation of the terms Stage 1, Stage 2 and Stage 3 is included in Note 44 (G)(vii) on page 83 of the Annual Financial Statements 2022.

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

30 June (unaudited)	2023				2022			
	Stage 1 £’000	Stage 2 £’000	Stage 3 £’000	Total £’000	Stage 1 £’000	Stage 2 £’000	Stage 3 £’000	Total £’000
Grade A	324,303	-	-	324,303	226,577	-	-	226,577
Grade B	-	2,557	8,483	11,040	-	5,579	8,591	14,170
Grade C	5,280	306	20,179	25,765	516	-	12,197	12,713
Gross value	329,583	2,863	28,662	361,108	227,093	5,579	20,788	253,460
Allowance for impairment	(3,529)	(119)	(14,216)	(17,864)	(341)	(10)	(8,186)	(8,537)
Carrying value	326,054	2,744	14,446	343,244	226,752	5,569	12,602	244,923

## Notes to the Condensed Consolidated Interim Financial Statements continued

31 December (audited)	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	273,332	-	-	273,332	213,103	-	-	213,103
Grade B	-	5,006	9,347	14,353	-	5,735	5,594	11,329
Grade C	391	-	17,622	18,013	342	541	12,656	13,539
Gross value	273,723	5,006	26,969	305,698	213,445	6,276	18,250	237,971
Allowance for impairment	(303)	(3)	(13,917)	(14,223)	(503)	(124)	(8,093)	(8,720)
Carrying value	273,420	5,003	13,052	291,475	212,942	6,152	10,157	229,251

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 (unaudited)	2023				2022			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Current	323,949	-	-	323,949	221,901	-	-	221,901
Overdue < 30 days	5,634	-	-	5,634	5,192	-	-	5,192
Overdue > 30 days	-	2,863	28,662	31,525	-	5,579	20,788	26,367
	<b>329,583</b>	<b>2,863</b>	<b>28,662</b>	<b>361,108</b>	<b>227,093</b>	<b>5,579</b>	<b>20,788</b>	<b>253,460</b>

31 December (audited)	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	269,131	-	-	269,131	210,492	-	-	210,492
Overdue < 30 days	4,593	604	-	5,197	2,953	-	-	2,953
Overdue > 30 days	-	4,402	26,968	31,370	-	6,276	18,250	24,526
	<b>273,724</b>	<b>5,006</b>	<b>26,968</b>	<b>305,698</b>	<b>213,445</b>	<b>6,276</b>	<b>18,250</b>	<b>237,971</b>

### 6. Interest revenue and other interest income

Interest revenue and other 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

## Notes to the Condensed Consolidated Interim Financial Statements

### continued

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 (2022: three) product orientated segments in addition to its financial activities to allocate the Group's capital (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).

<b>For the six months ended 30 June 2023 (unaudited)</b>	Asset and Personal Finance £'000	Edgewater Associates £'000	MFX Limited £'000	Investing Activities £'000	Total £'000
Interest revenue calculated using the effective interest rate method	21,458	-	-	-	21,458
Other interest income	713	-	-	-	713
Interest expense	(4,660)	-	-	(1,127)	(5,787)
<b>Net interest income</b>	<b>17,511</b>	<b>-</b>	<b>-</b>	<b>(1,127)</b>	<b>16,384</b>
Components of Net Trading Income	(2,603)	1,200	605	-	(798)
<b>Net trading income</b>	<b>14,908</b>	<b>1,200</b>	<b>605</b>	<b>(1,127)</b>	<b>15,586</b>
Components of Operating Income	726	-	-	-	726
<b>Operating Income</b>	<b>15,634</b>	<b>1,200</b>	<b>605</b>	<b>(1,127)</b>	<b>16,312</b>
Depreciation	(364)	(10)	(1)	(32)	(407)
Amortisation and impairment of intangibles	(271)	(37)	(2)	(2)	(312)
All other expenses	(10,995)	(1,009)	(168)	(389)	(12,561)
<b>Profit/(loss) before tax payable</b>	<b>4,004</b>	<b>144</b>	<b>434</b>	<b>(1,550)</b>	<b>3,032</b>
Capital expenditure	994	-	-	-	994
<b>Total assets</b>	<b>365,236</b>	<b>1,499</b>	<b>271</b>	<b>52,691</b>	<b>419,697</b>
<b>Total liabilities</b>	<b>347,391</b>	<b>21</b>	<b>8</b>	<b>40,247</b>	<b>387,667</b>

<b>For the six months ended 30 June 2022 (unaudited)</b>	Asset and Personal Finance £'000	Edgewater Associates £'000	MFX Limited £'000	Investing Activities £'000	Total £'000
Interest revenue calculated using the effective interest rate method	12,336	-	-	-	12,336
Other interest income	908	-	-	-	908
Interest expense	(2,001)	-	-	(711)	(2,712)
Net interest income	11,243	-	-	(711)	10,532
Components of Net Trading Income	(1,015)	1,076	909	-	970
Net trading income	10,228	1,076	909	(711)	11,502
Components of Operating Income	162	-	-	-	162
Operating Income	10,390	1,076	909	(711)	11,664
Depreciation	(310)	(14)	(1)	(32)	(357)
Amortisation and impairment of intangibles	(213)	(40)	(2)	(1)	(256)
All other expenses	(6,921)	(1,000)	(153)	(640)	(8,714)
Profit/(loss) before tax payable	2,946	22	753	(1,384)	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

## Notes to the Condensed Consolidated Interim Financial Statements

### continued

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

## 8. Earnings per share

	For the six months ended 30 June 2023 (unaudited)	For the six months ended 30 June 2022 (unaudited)	For the year ended 31 December 2022 (audited)
<b>Profit for the period/year</b>	<b>£1,927,000</b>	<b>£2,161,000</b>	<b>£4,331,000</b>
Weighted average number of ordinary shares in issue (basic)	115,072,988	114,447,909	114,763,883
Basic earnings per share (pence)	1.67	1.89	3.77
Diluted earnings per share (pence)	1.30	1.48	2.93
<b>Total comprehensive income for the period/year</b>	<b>£1,989,000</b>	<b>£2,204,000</b>	<b>£4,869,000</b>
Weighted average number of ordinary shares in issue (basic)	115,072,988	114,447,909	114,763,883
Basic earnings per share (pence)	1.73	1.93	4.24
Diluted earnings per share (pence)	1.34	1.51	3.28

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.

## Notes to the Condensed Consolidated Interim Financial Statements continued

As at	30 June 2023 (unaudited)	30 June 2022 (unaudited)	31 December 2022 (audited)
<b>Reconciliation of weighted average number of ordinary shares in issue between basic and diluted</b>			
Weighted average number of ordinary shares (basic)	115,072,988	114,447,909	114,763,883
Number of shares issued if all convertible loan notes were exchanged for equity	37,916,667	36,555,556	38,225,772
Dilutive element of share options if exercised	2,409,005	-	830,035
Weighted average number of ordinary shares (diluted)	155,398,660	151,003,465	153,819,690
<b>Reconciliation of profit for the period/year between basic and diluted</b>			
Profit for the period/year (basic)	£1,927,000	£2,161,000	£4,331,000
Interest expense saved if all convertible loan notes were exchanged for equity	£97,500	£76,250	£171,415
Profit for the period/year (diluted)	£2,024,500	£2,237,250	£4,502,415

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.

As at	30 June 2023 (unaudited)	30 June 2022 (unaudited)	31 December 2022 (audited)
<b>Reconciliation of total comprehensive income for the period/year between basic and diluted</b>			
Total comprehensive income for the period/year (basic)	£1,989,000	£2,204,000	£4,869,000
Interest expense saved if all convertible loan notes were exchanged for equity	£97,500	£76,250	£171,415
<b>Total comprehensive income for the period/year (diluted)</b>	<b>£2,086,500</b>	<b>£2,280,250</b>	<b>£5,040,415</b>

### 9. Debt securities

As at	30 June 2023 £'000 (unaudited)	30 June 2022 £'000 (unaudited)	31 December 2022 £'000 (audited)
<b>Financial assets at fair value through other comprehensive income:</b>			
UK Government treasury bills	31,371	40,151	40,675
	<b>31,371</b>	<b>40,151</b>	<b>40,675</b>

UK Government Treasury Bills are stated at fair value and unrealised changes in the fair value are reflected in other comprehensive income. There were realised gains of £664,000 (30 June 2022: £26,000 and 31 December 2022: £292,000) and unrealised gains of £62,000 (30 June 2022: £43,000 and 31 December 2022: £131,000) for the period.



## Notes to the Condensed Consolidated Interim Financial Statements continued

### 10. Loans and advances to customers

As at	Gross Amount £'000	Impairment Allowance £'000	30 June 2023 Carrying Value £'000 (unaudited)	30 June 2022 Carrying Value £'000 (unaudited)	31 December 2022 Carrying Value £'000 (audited)
HP balances	102,485	(4,427)	98,058	61,322	83,049
Finance lease balances	20,997	(3,494)	17,503	20,152	17,731
Unsecured personal loans	75,218	(8,503)	66,715	35,935	42,453
Vehicle stocking plans	1,904	-	1,904	1,825	1,918
Wholesale funding arrangements	25,225	(11)	25,214	17,803	30,904
Block discounting	54,873	-	54,873	28,877	46,294
Secured commercial loans	12,663	(577)	12,086	12,542	12,158
Secured personal loans	964	-	964	1,422	1,777
Government backed loans	47,598	(762)	46,836	65,045	55,191
Property secured	19,181	(90)	19,091	-	-
	<b>361,108</b>	<b>(17,864)</b>	<b>343,244</b>	<b>244,923</b>	<b>291,475</b>

### 11. Trade and other receivables

As at	30 June 2023 £'000 (unaudited)	30 June 2022 £'000 (unaudited)	31 December 2022 £'000 (audited)
Prepayments	4,495	1,068	2,334
Other debtors	2,276	1,754	1,877
VAT Claim	456	-	-
	<b>7,227</b>	<b>2,822</b>	<b>4,211</b>

Included in trade and other receivables is an amount of £0.456m relating to historic interest due on bad debt relief claims. This amount has been agreed with the Isle of Man Collector of Customs and Excise and has been received in July 2023.

### 12. Goodwill

As at	30 June 2023 £'000 (unaudited)	30 June 2022 £'000 (unaudited)	31 December 2022 £'000 (audited)
PAL	4,456	-	4,456
EAL	1,649	1,849	1,649
BLX	1,908	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
	<b>10,576</b>	<b>6,320</b>	<b>10,576</b>

## Notes to the Condensed Consolidated Interim Financial Statements continued

### 13. Creditors and accrued charges

As at	30 June 2023 £'000 (unaudited)	30 June 2022 £'000 (unaudited)	31 December 2022 £'000 (audited)
Commission creditors	726	1,401	1,398
Other creditors and accruals	11,273	1,472	9,368
Lease liability	1,535	1,205	1,614
Taxation creditors	854	454	692
Dividend payable	469	73	36
	<b>14,857</b>	<b>4,605</b>	<b>13,108</b>

### 14. Loan notes

	Notes	30 June 2023 £'000 (unaudited)	30 June 2022 £'000 (unaudited)	31 December 2022 £'000 (audited)
<b>Related parties</b>				
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
<b>Unrelated parties</b>				
	UP	<b>33,542</b>	<b>25,382</b>	<b>25,382</b>
		<b>39,492</b>	<b>31,332</b>	<b>31,332</b>

**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 2027, paying interest of 7.5% per annum. Both loans are convertible to ordinary shares of the Company at the rate of 7.5 pence.

On 22 July 2022, JM and BL agreed to extend outstanding unsecured convertible loans of £1,750,000, expiring on 31 July 2022, for a further five years to 31 July 2027. A loan of £1,250,000 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.

**BL** – Three loans, one of £1,200,000 maturing on 31 July 2027, paying interest of 7.5% per annum, one of £1,000,000 maturing 25 February 2025, paying interest of 5.4% per annum, and one of £1,000,000 maturing 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 at a rate of 7.5 pence.

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

**UP** – Forty one loans (2022: Forty), the earliest maturity date is 2 October 2023 and the latest maturity is 25 May 2028.

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.

## Notes to the Condensed Consolidated Interim Financial Statements continued

### 15. Called up share capital

Ordinary Shares of no-par value available for issue	Number	
At 30 June 2023, 30 June 2022, 31 December 2022	200,200,000	
Issued and fully paid ordinary Shares of no par value	Number	£'000
Balance at 30 June 2023	115,072,988	19,287
Balance at 30 June 2022, 31 December 2022	115,072,988	19,195

#### Dividends

On 30 May 2023, MFG declared a dividend of £433,135 (2022: £279,200) which could either be taken up in cash or new ordinary shares. On 12 July 2023, 418,948 new shares (2021: 781,349 new shares) were admitted to the Alternative Investment Market ("AIM") at 21.8974 pence per share (2022: 8.02050 pence per share), at a total cost of £91,739 (2022: £62,000).

#### Convertible loans

There are three convertible loans totalling £2,950,000 (30 June and 31 December 2022: three convertible loans totalling £2,950,000).

#### Share options and Restricted Stock Units

##### i. Issued during the financial year ended 31 December 2022

On 5 July 2022 and 27 October 2022, MFG granted Restricted Stock Units ("RSUs") under its 2022 RSU Plan. The Group has issued, in total, RSUs over 2,435,000 ordinary shares representing 2.1% of the issued share capital of the Group, including 1,250,000 to certain directors and 1,185,000 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. Any RSUs granted will fall away should the recipient leave employment before the 2-year term expires. Should the individual vesting conditions be satisfied at the end of the term, the stock will be exercised at nil cost.

The Group directors who received RSUs are as follows:

- Douglas Grant, Group Chief Executive Officer, who currently owns 533,951 ordinary shares in the Company representing a holding of 0.45% was issued 1,075,000 RSUs. Including 700,000 Share Options issued 24 June 2014, he would hold a total of 2,308,951 ordinary shares, being 1.98% 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.

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

Grant date/employees entitled	Number of Units	Contractual life of options
Option grant to key employees at 5 July 2022	1,020,000	2 years
Option grant to directors at 5 July 2022	1,100,000	2 years
Option grant to key employees at 27 October 2022	165,000	2 years
Option grant to directors at 27 October 2022	150,000	2 years
<b>Total share options at 30 June 2023</b>	<b>2,435,000</b>	

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

## Notes to the Condensed Consolidated Interim Financial Statements continued

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

^ Based on past 3 years

\* Annual rates

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

The fair value of the liability is remeasured at each reporting date and at settlement date.

The charge for the year for share options granted was £56,000 (30 June: £nil and 31 December 2022: £18,000).

### ii. Issued during the financial year ended 31 December 2014

On 23 June 2014, 1,750,000 share options were issued to Executive Directors and senior management within the Group at an exercise price of 14 pence per share.

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

Of the 1,750,000 share options issued, 1,050,000 (30 June and 31 December 2022: 1,050,000) remain outstanding.

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

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

## 16. Deferred consideration

Deferred consideration relates to contingent payments due to the sellers on the acquisition BLX.

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 £50,000 to the sellers during the period.

As at	30 June 2023 £'000 (unaudited)	30 June 2022 £'000 (unaudited)	31 December 2022 £'000 (audited)
BLX	216	335	262
	<b>216</b>	<b>335</b>	<b>262</b>

## Notes to the Condensed Consolidated Interim Financial Statements continued

### 17. 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.

### 18. 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.

### 19. Investment in associate

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

The Group possesses the capacity to engage in policy-making processes within LSC through its right to designate an individual to attend all board meetings as an observer. Via its representative, the Group also holds the ability to introduce topics for discussion on the agenda, although it doesn't have voting rights in this regard. Moreover, the Group has introduced constraints on LSC's board, effectively preventing specified significant actions from being taken without the Group's consent.

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

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

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

### 20. Subsequent events

There were no other significant subsequent events identified after 30 June 2023.

### 21. Approval of interim financial statements

The interim financial statements were approved by the Board on 20 September 2023. 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

<b>BBSL</b>	Blue Star Business Solutions Limited
<b>BL</b>	Burnbrae Limited
<b>Bank</b>	Conister Bank Limited
<b>CFL</b>	Conister Finance & Leasing Ltd
<b>Company</b>	Manx Financial Group PLC
<b>EAL</b>	Edgewater Associates Limited
<b>FCA</b>	UK Financial Conduct Authority
<b>FVTPL</b>	Fair value through profit and loss
<b>FSA</b>	Isle of Man Financial Services Authority
<b>Group</b>	Comprise the Company and its subsidiaries
<b>HP</b>	Hire Purchase
<b>IFA</b>	Independent Financial Advisors
<b>Interim financial statements</b>	Condensed consolidated interim financial statements
<b>JM</b>	Jim Mellon
<b>LSC</b>	Lesley Stephen & Co Limited
<b>LSE</b>	London Stock Exchange
<b>MFG</b>	Manx Financial Group PLC
<b>MFX</b>	MFX Limited
<b>MFX.L</b>	Manx Financial Group PLC ticker symbol on the LSE
<b>MVL</b>	Manx Ventures Limited
<b>NRFL</b>	Ninkasi Rentals & Finance Limited
<b>RFG</b>	Rivers Finance Group Plc
<b>Subsidiaries</b>	MFG's subsidiaries being EAL, MFX, BBSL, NRFL, Bank, CFL, MVL, Three Spires
<b>UK</b>	United Kingdom
<b>UP</b>	Unrelated parties

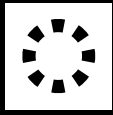
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