

**MCB Finance Group Plc
(formerly Mobile Credit Baltic Plc)**

Annual Report and Accounts

For the year ended 31 December 2008

Company No. 06032184

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CHAIRMAN'S STATEMENT

Results for the 12 months ended 31 December 2008

Introduction

MCB Finance Group plc (AIM: MCRB.L) (the "Company" or "MCB"), the consumer finance company providing flexible credit solutions to retail customers in Finland, Estonia, Latvia and Lithuania, presents its financial results for the year ended 31 December 2008.

Operating and financial highlights

- First adjusted pre-tax profit of €0.48 million, in line with expectations (2007 pre-tax loss: €2.62 million)
- Increase in principal lent from €24m to €56m
- Revenue increased by 230% to €13.05m (2007: €3.95m)
- Extension of bank financing facility
- Credit loss provisions remain stable at 31 % of revenue (2007: 35% of revenue) notwithstanding deteriorating economic conditions

Business overview

MCB Finance Group is a consumer finance company providing fast, convenient, easily understood and flexible credit solutions under the Credit24 brand to retail customers in Finland and the Baltic countries of Estonia, Latvia and Lithuania. In its markets the Company is a leading participant in the non-standard segment of the consumer credit market, providing small-denomination, unsecured loans of between €100 and €2,000 to qualifying customers, with maturities ranging from one month to two years. Loan products are designed to suit customers' needs with simple and transparent terms and flexible repayment schedules. The Company operates in a segment of the market that is typically under-served by larger financial institutions.

Loans are offered online through the Company's Credit24-branded websites in Estonia, Finland, Lithuania and Latvia, as well as through certain distribution partners in the Baltic countries.

Operational update

MCB has continued to evolve and made significant progress during 2008, its second full year of operations. During the year the Company expanded its product range, further improved distribution capabilities and continued to improve its ability to serve a rapidly growing customer base.

Having launched its operations in late 2006, MCB reached run-rate profitability in the second quarter of 2008 and further improved financial performance during the second half. As a result, the Company achieved full-year profitability for 2008.

Lending volumes more than doubled during the year while credit quality remained stable. MCB is now a leading non-standard lender in each of its markets.

Economic environment:

Economic conditions in the Baltic states weakened during 2008, with significant deceleration in all three economies from previously high growth rates. In Finland economic conditions were more stable, although we expect weaker economic conditions in all markets during 2009.

The Company operates in a segment of the consumer credit market that is more resistant than others to weakening economic conditions. It also benefits from short maturities below six months on average, providing high visibility on loan performance and the ability to adjust credit criteria rapidly in response to changing market conditions.

MCB was early to recognise the deterioration in economic conditions and during 2008 has taken a number of steps to position the business for the changing environment. We are ready to further adjust our activities as needed to maintain profitability and prepare the business for further growth once market conditions improve.

Lending volumes:

In 2008 the Company extended approximately €56 million of loan principal, up from €24 million in 2007. €26 million of principal was lent during the first half of the year and €30 million during the second half. A large and growing number of loans were made to returning customers, resulting in lower acquisition costs per loan and improved credit performance. Approximately 35% of lending was made to customers in Finland, with the balance in the Baltic states.

The rise in lending volumes compared to 2007 reflects a large increase in applications during the period. This increase was largely due to a growing recognition of the Credit24 brand as a flexible and trustworthy provider of consumer credit solutions. Lending volumes also benefited from higher overall consumer awareness of non-standard lending solutions in our markets, and the further reductions in the availability of consumer credit from traditional financial institutions affected by the global credit crisis. The increase in applications was tempered by higher rejection rates as MCB worked to maintain credit quality in a weakening macroeconomic environment.

Lending policies:

Since early 2008 MCB has remained focused on controlling credit quality and achieving group profitability – rather than significant further lending growth – by tightening credit criteria, focusing on shorter-maturity loans and improving lending margins.

The Company monitors credit performance rigorously and continues to refine its proprietary credit scoring models with the benefit of accumulated historical data. Over the past year we have tightened credit extension criteria in response to the economic environment. This has proved effective and impairments have remained stable.

During the year MCB successfully extended its Credit24 product range to offer customers a wider selection of short-term loans below six months' maturity, as well as larger loans with longer maturities to carefully selected customers. Despite the expanded product selection, the Company has purposefully focused the bulk of its activity on loans with maturities of between one and six months to maintain underwriting flexibility in an uncertain economic environment. Product adjustments have allowed MCB to increase lending margins, with positive results for group revenues and profitability.

Partnerships:

We expanded our distribution partnerships in the Baltics to enhance Credit24's distribution reach and market visibility, and allow us to better serve those customers who prefer a face-to-face interaction when applying for credit.

Our partners are consumer-facing companies with street-level retail presence where customers can manually complete application forms for Credit24 loans. These include the Latvian Post, BTA insurance - the leading non-life insurance company in the Baltics, and R-Kiosk which runs the largest chain of convenience stores in the Baltics. The BTA partnership is MCB's first sales financing arrangement, whereby BTA customers can finance the purchase of auto and other insurance products using a Credit24 loan. Credit24 loans are now available through over 300 retail locations.

In all cases MCB retains responsibility for and control of credit decisions, loan management and ongoing customer relationships. Currently a minor portion of Group loan volumes are generated through MCB's distribution partners, with the balance generated online.

Other key developments:

During the year MCB continued to improve the user-friendliness, reach and accessibility of its Credit24 products and services. The Company upgraded all local Credit24 websites to further improve the customer experience, and introduced personalised customer pages which include loan information, repayment options and other features.

We have continued to build and strengthen MCB's proprietary credit extension and CRM systems which are central to the management of the Company's lending and collection operations. MCB's lending activities generate a large number of relatively small transactions, and a high degree of automation is essential to manage cost effectively the verification of client details, credit scoring, loan extension, management, and CRM activities while maintaining a relatively low-cost organisational structure.

Our low-cost model distinguishes us from several of our peers and has been an important contributor to the Company's financial performance. We expect to continue to benefit from this operational leverage.

During the year the Company amended its customer identification procedures in Estonia in response to heightened regulatory requirements for face-to-face customer identification. These changes were introduced successfully with minimal impact on operational performance. Estonia recently introduced an interest rate cap on lending which may require MCB to modify its product offering in that market. No further regulatory changes are pending, however this is an area we continue to monitor carefully to ensure the Company's continued compliance with all legislation and adherence to best practice.

In June the Company changed its name to MCB Finance Group plc to better reflect its business focus and widening range of services. At the same time MCB updated its corporate and investor website which can be found at www.mcbfinance.com.

Funding

The Company has adequate levels of both debt and equity financing to support its current business plan for 2009 and beyond.

In July the Company increased its revolving credit facility with Rietumu Bank from €10 million to €15 million. This was followed in December by an extension of the facility by 12 months to the end of March 2010. Securing this funding at such a difficult time for many lenders underlines the strength of our business and our relationship with Rietumu. Approximately €3 million of the Rietumu credit facility remains undrawn. The increase of the credit facility in July 2008 followed a €5.1 million equity financing completed in February 2008.

The financing secured during 2008, combined with the low net cash requirements of the Company's current lending operations, has provided the Company with a stable platform from which to execute its strategy.

Financial review

Revenue for the 12 months ended 31 December 2008 totalled €13.05m (2007: €3.95m), which is in line with expectations. Direct operating expenses, which include provisions and variable costs related to the Company's lending operations, were €6.07m (2007: €2.31m). Administrative expenses were €5.50m (2007: €4.13m). Net finance costs were €0.98m (2007: €0.13m). The proforma pre-tax profit for the year was €0.48m (2007 pre-tax loss: €2.62m). Proforma net profit for the year was €0.40m (2007 net loss: €2.62m).

The proforma figures above exclude non-cash reserves arising on employee share options granted and certain extraordinary expenses.

Credit loss provisioning for the year totalled €4.03m, or 31% of Revenue (2007: €1.38m, 35% of Revenue), reflecting the stable credit performance during the year.

A summary of the Company's financial performance for the year is provided below.

Summary financials

(€ thousands)	Year ended 31 December					
	2008	2007	2H 2008	1H 2008	2H 2007	1H 2007
Principal lent	56,606	23,623	30,520	26,086	15,542	8,082
Revenue	13,055	3,951	8,082	4,973	2,497	1,453
Direct operating expenses	(6,077)	(2,312)	(3,674)	(2,403)	(1,245)	(1,067)
out of which Credit loss provisions	(4,030)	(1,387)	(2,534)	(1,497)	(651)	(736)
Provisions as % of Revenue	31%	35%	31%	30%	26%	51%
Administrative expenses	(5,507)	(4,131)	(2,820)	(2,687)	(2,191)	(1,941)
Net interest expenses	(984)	(133)	(648)	(337)	(125)	(7)
Proforma EBT (loss)	486	(2,625)	939	(453)	(1,063)	(1,562)
Proforma net income (loss)	404	(2,625)	857	(453)	(1,063)	(1,562)
Customer loan receivables	20,385	7,995	20,385	15,014	7,995	3,466
Borrowings	12,050	4,550	12,050	7,450	4,550	258
Total equity	8,522	3,265	8,522	7,763	3,265	4,826

Current trading and outlook

Over the past two years MCB has successfully introduced a wide range of non-standard lending products to four different territories, using a variety of distribution channels and supported by consumer marketing strategies adapted to each area. The successful expansion from Estonia to Finland, Lithuania and then Latvia has been a good test for the adaptability of MCB's business model to different conditions, and has prepared the Company for entry into other markets, should it decide to do so, once conditions improve.

Since the year end lending volumes and margins have remained steady. Credit performance is in line with past trends. The worsening economic environment may lead to higher impairment levels going forward, although we expect the Company to adapt its lending criteria to the economic conditions and continue the good progress made during 2008.

We continue to work on every aspect of the business to maximise its efficiency and position MCB for profitable future growth. Our priorities remain (i) managing credit risk, (ii) maximising group profitability and (iii) ensuring readiness for the next stage of growth when market conditions improve.

MCB Finance Group has managed to grow lending volumes, strengthen business performance, and improve profitability despite a significant weakening of economic conditions. We continue to

focus on current operations, to ensure the business is well placed to adapt to the current economic environment, whilst at the same time working hard to position the business for growth once market conditions improve. MCB is well funded, providing the Company with a stable platform from which to execute its strategy. The Board remains confident in the Company's prospects and its ability to continue to improve business and financial performance.

Bertil Rydevik
Chairman
10 March 2009

BOARD OF DIRECTORS

Executive Directors

1. Rami Ryhänen

Chief Executive Officer (Age 41)

Mr Ryhänen has been CEO of the Company since its inception in 2005, and he has been at the forefront of the development non-standard lending market in the Fenno-Baltic region. Prior to joining MCB, Mr Ryhänen spent two years as CEO of Jippii Mobile Entertainment Oy, a mobile entertainment service provider based in Helsinki, where he managed operations in 20 countries. Following its return to profitability he led the sale process of Jippii to Itouch plc. He previously held senior roles including CEO of Small Planet Limited and Customer Relationship Director of Sonera Oyj. Mr Ryhänen holds an MBA from the Institute for International Management Centers.

2. Henry Nilert

Chief Financial Officer (Age 37)

Mr Nilert joined the Company as CFO in March 2006, and has had an integral role in building the Company into a robust and transparent provider of credit solutions. Prior to joining MCB, Mr Nilert was a Partner of Crystal Capital Partners LLP, a private equity advisory firm based in London. Previously he co-founded iobox, a wireless software company, where he was Chief Operating Officer, helping it grow to a business with 1 million users and 120 employees in four countries, before its sale to Terra Mobile SA. Mr Nilert has worked in investment banking in London, New York and Helsinki. He graduated from Dartmouth College in the US with a B.A. in Political Sciences.

Non-Executive Directors

3. Bertil Rydevik

Non-Executive Chairman (Age 56)

Mr Rydevik is a Private Investor. Between the years of 1997 and 2002 he worked at Lehman Brothers as a Managing Director and Head of European Investment Banking. Previously for five years he was at CSFB as Head of Nordic and German Investment Banking. Mr Rydevik has also spent seven years at Morgan Stanley in New York and London. He studied business at the University of Gothenburg.

4. Dr Anton Mayr

Non-Executive Director (Age 46)

Mr. Mayr is the founder and Managing Director of Stratos Ventures Inc, a United States venture development company focused on environmental technologies with an emphasis on water and solar technologies in the United States and in the German speaking Europe. Mr Mayr was also Co-founder and Managing Partner of the Stratos Ventures Finnish early stage ICT venture capital fund with offices in Helsinki, Finland and California. He was a founder and CEO of Phytonium Pharmaceuticals LLC, an early stage research-based biomedical company based in California and also worked previously as an investment manager at Citicorp Venture Capital in Germany and at the New York City law firm Pryor, Cashman, Sherman & Flynn. Mr Mayr holds a Dr iur (doctorate in law) from Salzburg University Law School, Austria as well as an LLM from McGeorge School of Law and an MBA from Columbia University Business School.

5. Richard Parkinson

Non-Executive Director (Age 41)

Mr Parkinson is co-founder and Managing Director of Optima Capital, a Singapore based private equity and M&A advisory firm where he has led transactions in the financial services and healthcare sectors. Previously he was a Managing Director at Whitney Asia Limited, based in Tokyo, where he served on various portfolio company boards and assisted in exits for Whitney via M&A activity and IPOs. He spent from 1990 to 1995 at Wasserstein Perella & Co in the mergers and acquisitions department, in London, New York and Tokyo. He graduated from Balliol College Oxford with a Master of Arts degree in Classics.

BOARD OF DIRECTORS (continued)

6. Philippe Duleyrie

Non-Executive Director (Age 51)

Mr Duleyrie joined the Board on 20 June 2007. He is the Principal at The Rye Group LLC, a strategic advisory firm in global money transfer, electronic payments and pre-paid cards. Previously his roles have included President of Americas at Polar Electro Inc, SVP Marketing and VP of Worldwide Business Development at MoneyGram and Director of Business Development at Western Union. He graduated from New York University with a B.A. in Economics and holds an MBA from Wharton.

DIRECTORS' REPORT

For the year ended 31 December 2008

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

Principal activity

MCB Finance Group Plc is the parent company for the group providing flexible credit solutions to retail customers in Finland, Estonia, Latvia and Lithuania.

On 3 June 2008 the company changed its name from Mobile Credit Baltic Plc to MCB Finance Group Plc.

Business review and future developments

A review of 2008, together with likely future developments, is contained in the Chairman's Statement on pages 2 to 6.

Results and dividends

The profit for the year ended 31 December 2008 attributable to shareholders was €126,849 (2007: €3,076,054 loss), as set out in the consolidated income statement on page 14. The Directors do not propose the payment of a dividend.

Directors

Biographies of the current Directors, all of whom served during the year, are set out on pages 7 and 8.

Directors' interests

At the end of the year the following Directors had beneficial interests in the Company's Shares:

	Beneficial interest in the Company's Ordinary shares of 10p each				
	2008		2007		
	Number	%	Number	%	
Rami Ryhänen	127,684	0.7	127,684	0.9	(a)
Henry Nilert	611,952	3.5	611,952	4.4	(b)
Bertil Rydevik	359,112	2.1	359,112	2.6	
Richard Parkinson	1,308,764	7.5	1,308,764	9.3	(c)
Philippe Duleyrie	419,211	2.4	419,211	3.0	

(a) Held through Solotel Oy

(b) 53,333 shares held directly, and the remaining shares held through Birch Holding Limited

(c) Held through Orient Equity Partners

Donations

No donations or payments to charities or political parties were made during the year.

Financial risk management objectives and policies

The Company's objectives and policies in relation to financial risk management are set out in Note 21 to the financial statements on page 33.

Creditor payment policy

The Company does not follow any code or standard on payment practice, but seeks to agree the terms of payment with the suppliers at the time of contract, and to make payment in accordance with those terms subject to satisfactory performance. As at 31 December 2008 the average creditor days were 12.

DIRECTORS' REPORT (continued)

For the year ended 31 December 2008

Financial instruments

The Company's policy is to finance working capital through retained earnings and through borrowings at prevailing market interest rates. The Company does not actively use any other financial instruments as part of its financial risk management.

Significant shareholdings

As at 31 December 2008 the following significant shareholdings were disclosable for the purposes of part 5 of the Disclosure and Transparency Rules:

Notifier	No of shares	Percentage of issued ordinary shares
MC Global Limited	7,980,187	45.88%
IJU Nominees Limited	1,856,521	10.67%
Berenberg Bank Joh. Berenberg, Gossler & Co	1,345,000	7.73%
Orient Equity Partners	1,308,764	7.52%
Europanel AB	740,000	4.25%
P. Lorange	656,521	3.77%
Birch Holding Limited	558,619	3.21%
Hansa Eastern European Equity Fund	533,333	3.07%

Corporate Social Responsibility

The Board believes that responsible and ethical conduct is fundamental to the Company's everyday business practices, and considers Corporate Social Responsibility as a set of principles that assist in determining business practices. The extent to which individual principles have been formalised is appropriate to the size of the organisation.

The Group is committed to equal opportunities and diversity. Selection criteria are strictly geared to selecting candidates who have both personal integrity, and the best experience and skills for the job. Recruitment methods are reviewed regularly. The Company is committed to ensuring the health, safety and welfare of employees, customers, suppliers and visitors.

Auditors

Mazars LLP have agreed to offer themselves for reappointment as Auditors of the Company and a resolution requesting approval of their reappointment and to authorise the Directors to determine their remuneration will be presented at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the Company's offices on Eerikinkatu 2, 00100 Helsinki, Finland at 10 a.m. on 21 May 2009. The notice of meeting enclosed with this report contains one item of special business, details of which are explained in the notice.

By Order of the Board

Henry Nilert

Company Secretary

65 Duke Street
London
W1K 5NT

10 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the auditors, shown on pages 12 and 13, sets out their responsibilities in relation to the financial statements.

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial year in accordance with applicable United Kingdom law and those International Financial Reporting Standards adopted by the European Union. In preparing those financial statements, the Directors are required to:

- select appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures being disclosed and explained; and
- prepare the financial statements on the going concern basis, unless they consider it to be inappropriate.

The Directors confirm that the financial statements comply with the above requirements.

The maintenance and integrity of the Company's website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group, and in that context must have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud, theft and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MCB FINANCE GROUP PLC**For the year ended 31 December 2008**

We have audited the Group and Parent Company financial statements (the "financial statements") of MCB Finance Group Plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted for use in the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions with the Company and other members of the Group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within the financial statements.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MCB Finance Group Plc
(continued)**

Opinion:

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the Group's affairs as at 31 December 2008 and of the Group's profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP
Chartered Accountants
And Registered Auditors
Tower Bridge House
St Katharine's Way
London
E1W 1DD

13 March 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	2008 €	2007 €
Revenue	3	13,055,266	3,950,724
Impairment charge relating to legacy systems		–	(117,980)
Other direct operating expenses		(6,077,072)	(2,312,032)
Direct operating expenses		(6,077,072)	(2,430,012)
Cost of employee share options		(195,585)	(332,799)
Termination of contract payment	4	(82,250)	–
Other administrative expenses		(5,506,839)	(4,131,293)
Administrative expenses		(5,784,674)	(4,464,092)
Finance costs (net)	6	(984,442)	(132,674)
Profit/(loss) on ordinary activities before taxation	4	209,078	(3,076,054)
Taxation	7	(82,229)	–
Profit/(loss) on ordinary activities after taxation attributable to the equity shareholders of the parent company	14	126,849	(3,076,054)
Proforma profit/(loss) calculation			
Impairment charge relating to legacy systems		–	117,980
Cost of employee share options		195,585	332,799
Termination of contract payment		82,250	–
Proforma profit/(loss)		404,684	(2,625,275)
		2008 €	2007 €
Basic earnings/(loss) per Ordinary share	8	0.0075	(0.2200)
Diluted earnings/(loss) per Ordinary share	8	0.0074	(0.2200)

All of the activities of the Group during the year are classed as continuing.

There are no recognised gains or losses except as included in the consolidated income statement, and therefore a consolidated statement of recognised income and expense has not been prepared.

The accompanying notes on pages 18 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

			2008		2007
	Note	€	€	€	€
ASSETS					
Non-current assets					
Goodwill	9	737,723		737,723	
Intangible assets	9	37,006		24,736	
Property, plant and equipment	10	84,280		66,779	
Deferred tax asset	7A	<u>124,776</u>		<u>–</u>	
Total non-current assets			983,785		829,238
Current assets					
Trade and other receivables	12	20,909,025		8,187,738	
Assets classified as held for sale	10	9,611			
Cash and cash equivalents	19	<u>1,162,765</u>		<u>506,093</u>	
Total current assets			22,081,401		8,693,831
Total assets			<u>23,065,186</u>		<u>9,523,069</u>
EQUITY AND LIABILITIES					
Equity					
Issued share capital	13	2,542,460		2,095,567	
Share premium account	14	8,453,870		3,965,831	
Other reserves	14	528,384		332,799	
Retained earnings	14	<u>(3,002,206)</u>		<u>(3,129,055)</u>	
Total equity	14		8,522,508		3,265,142
Current liabilities					
Trade and other payables	15	983,156		906,464	
Deferred income		1,509,522		801,463	
Short-term borrowings	16	<u>–</u>		<u>4,550,000</u>	
Total current liabilities			2,492,678		6,257,927
Non-current liabilities					
Long-term borrowings	17	<u>12,050,000</u>		<u>–</u>	
Total non-current liabilities			12,050,000		–
Total equity and liabilities			<u>23,065,186</u>		<u>9,523,069</u>

The consolidated financial statements on pages 14 to 33 were approved by the Board of Directors and authorised for issue on 10 March 2009 and were signed on its behalf by:

B Rydevik
Chairman

H Nilert
Chief Financial Officer

The accompanying notes on pages 18 to 33 form an integral part of these consolidated financial statements.

COMPANY BALANCE SHEET
As at 31 December 2008

	Note	€	2008 €	€	2007 €
ASSETS					
Non-current assets					
Investments in subsidiaries	11	9,794,746		5,034,256	
Total non-current assets			9,794,746		5,034,256
Current assets					
Trade and other receivables	12	938,415		969,656	
Cash and cash equivalents	19	1,302		3,401	
Total current assets			939,717		973,057
Total assets			10,734,463		6,007,313
EQUITY AND LIABILITIES					
Equity					
Issued share capital	13	2,542,460		2,095,567	
Share premium account	14	8,453,870		3,965,831	
Other reserves	14	528,384		332,799	
Retained earnings	14	(829,606)		(450,560)	
Total equity	14		10,695,108		5,943,637
Current liabilities					
Trade and other payables	15	39,355		63,676	
Total current liabilities			39,355		63,676
Total equity and liabilities			10,734,463		6,007,313

The consolidated financial statements on pages 14 to 33 were approved by the Board of Directors and authorised for issue on 10 March 2009 and were signed on its behalf by:

B Rydevik
Chairman

H Nilert
Chief Financial Officer

The accompanying notes on pages 18 to 33 form an integral part of these consolidated financial statements.

CASH FLOW STATEMENTS
For the year ended 31 December 2008

	Note	Group		Company	
		2008 €	2007 €	2008 €	2007 €
Cash flow used in operating activities	19 (A)	(11,679,868)	(8,302,563)	(176,541)	(70,984)
Cash flow from investing activities					
Purchase of property, plant and equipment		(69,705)	(69,304)	–	–
Purchase of intangible assets		(28,687)	(36,004)	–	–
Investment in subsidiary undertaking		–	–	(4,760,490)	(3,321,646)
Cash flow from investing activities		(98,392)	(105,308)	(4,760,490)	(3,321,646)
Cash flow from financing activities					
Issue of share capital		5,139,265	5,744,361	5,139,265	5,744,361
Expenses relating to the issue of shares		(204,333)	(1,395,573)	(204,333)	(1,395,573)
Receipt of short-term borrowing		7,500,000	4,550,000	–	–
Intercompany loans		–	–	–	(952,896)
Repayment of short-term borrowing		–	(258,373)	–	–
Cash flow from financing activities		12,434,932	8,640,415	4,934,932	3,395,892
Increase in cash and cash equivalents	19 (B)	656,672	232,544	(2,099)	3,262
Cash and cash equivalents at 1 January	19 (B)	506,093	273,549	3,401	139
Cash and cash equivalents at 31 December	19 (B)	1,162,765	506,093	1,302	3,401

The accompanying notes on pages 18 to 33 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2008

Basis of preparation

MCB Finance Group Plc is registered and domiciled in England and Wales.

The consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), as adopted by the European Union. The financial information is presented in euros and has been prepared under the historical cost convention and on a going concern basis. Set out below is a summary of the more important accounting policies, which have been applied consistently to the prior period, except for the presentation of certain costs as detailed below.

As at the date of approval of these consolidated financial statements, the following interpretations were in issue but not yet effective:

- IFRS 2, Share-based Payment (revised);
- IFRS 3, Business Combinations (revised);
- IFRS 8, Operating Segments;
- IAS 1, Presentation of Financial Statements (revised);
- IAS 23, Borrowing Costs (revised);
- IAS 27, Consolidated and Separate Financial Statements (revised);
- IAS 28, Investments in Associates (revised);
- IAS 31, Interest in Joint Ventures (revised);
- IAS 32, Financial Instruments: Presentation (revised);
- IFRIC 11, IFRS 2: Group and Treasury Share Transactions;
- IFRIC 12, Service Concession Arrangements;
- IFRIC 13, Customer Loyalty Programmes; and
- IFRIC 14, IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not adopted any of these standards early.

The Directors do not anticipate that the adoption of these interpretations in future reporting periods will have a material impact on the Group's results.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition (when control is acquired) or up to the effective date of disposal (when control is lost), as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.

Notes to the consolidated financial statements (continued)**1 ACCOUNTING POLICIES (continued)****Goodwill**

Goodwill arising on consolidation represents the excess of the fair value of the consideration paid over the fair value of the identifiable assets acquired. Goodwill arising on each acquisition is annually reviewed separately for impairment, and where appropriate, charged to the income statement. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are stated at acquisition cost less any accumulated depreciation and any accumulated impairment losses. Amortisation is provided to write off the intangible asset over the period the Group expects to use the assets. The principal annual rate for this purpose is 33% per annum. The carrying value of intangible assets is assessed annually and any impairment is charged to the income statement. Intangible assets have a finite estimated useful life and amortisation is included within 'administrative expenses' in the consolidated income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value on acquisition less depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is estimated taking into account obsolescence, technological developments and expected proceeds on disposal. The principal annual rate for this purpose is 33% per annum in relation to office equipment, being the Group's only current class of property, plant and equipment.

The carrying value of property, plant and equipment is assessed annually and any impairment is charged to the income statement.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Customer loan receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement based on historical experience.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. No interest is charged on these amounts. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Investments are recognised and derecognised on a trade date basis. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when there is an increase in the investment's recoverable amount based on an event occurring after the impairment was recognised. The carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the consolidated financial statements (continued)**1 ACCOUNTING POLICIES (continued)****Financial assets and liabilities (continued)**

Cash and cash equivalents comprise cash on hand and demand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade and other payables are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on an effective yield basis in the income statement.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue

Revenue represents fees and interest receivable in respect of loans granted during the year. Fees and interest are recognised on a time-proportion basis using the effective interest method. Fees from penalty interests include reminder fees and collection procedure fees. Penalty interests have been recognised in the income statement only after customers have paid those fees.

Foreign exchange**(i) Foreign currencies**

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into the reporting currency at the rate of exchange ruling on the date of the transaction except for monetary assets and liabilities, which are translated at the balance sheet date. Differences arising on the translation of such items are dealt with in the income statement.

(ii) Foreign operations

The income and expenses of foreign operations are translated into the reporting currency at the rate of exchange ruling on the date of the transaction. Exchange differences arising on the translation of opening reserves are recognised directly in equity. The assets and liabilities of foreign operations, both monetary and non-monetary are translated into the reporting currency at exchange rates ruling at the balance sheet date.

(iii) Year end exchange rate

The year end exchange rate was €1.0722 / £1.

Leases

Rentals paid under operating leases are charged to the income statement in the period when they become payable. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Notes to the consolidated financial statements (continued)**1 ACCOUNTING POLICIES (continued)****Taxation and deferred taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. This is the method of taking the net book value of the asset and comparing to the write down value, providing for the difference at the prevailing tax rate.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Employee share options

The Group issues equity-settled share-based instruments to its employees. Equity-settled share-based instruments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based instrument is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Recoverability of customer loan receivables

The Group has undertaken research to estimate potential credit losses. There is no guarantee that management's estimates will prove reliable in the long term. An increase in the level of credit losses will have an adverse impact on the profitability of the Group.

Employee share options

In order to calculate the charge for share-based compensation as required by IFRS2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in Note 13.

Notes to the consolidated financial statements (continued)

3 SEGMENTAL INFORMATION

All of the group's turnover is generated from the one business class of consumer lending in the Baltic states and Finland. The operations are managed and monitored as a single business segment. The Group operates in the following geographical segments:

Year from 1 January 2008 to 31 December 2008

	Revenue €	Net profit/(loss) €	Assets €	Liabilities €
Baltics	8,612,071	(929,960)	16,345,756	(13,724,408)
Finland	4,443,195	1,056,809	6,719,430	(818,270)
	<u>13,055,266</u>	<u>126,849</u>	<u>23,065,186</u>	<u>(14,542,678)</u>

Year from 1 January 2008 to 31 December 2008

	Depreciation, amortisation and impairments €	Capital expenditure €
Baltics	40,677	70,978
Finland	13,849	27,414
	<u>54,526</u>	<u>98,392</u>

Year from 1 January 2007 to 31 December 2007

	Revenue €	Net loss €	Assets €	Liabilities €
Baltics	2,092,513	(1,999,144)	6,106,398	(5,697,005)
Finland	1,858,211	(1,076,910)	3,416,671	(560,922)
	<u>3,950,724</u>	<u>(3,076,054)</u>	<u>9,523,069</u>	<u>(6,257,927)</u>

Year from 1 January 2007 to 31 December 2007

	Depreciation, amortisation and impairments €	Capital expenditure €
Baltics	14,642	70,627
Finland	188,150	34,681
	<u>202,792</u>	<u>105,308</u>

Notes to the consolidated financial statements (continued)

4 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2008	2007
	€	€
Staff costs (see Note 5)	2,353,368	1,754,158
Credit losses	4,030,384	1,386,782
Operating leases	101,937	86,355
Net foreign exchange gains	(655)	(3,606)
Auditors' remuneration:		
- Audit work	134,718	118,865
- Non-audit services	–	–
Extraordinary payment related to termination of card provider contract	82,250	–
Amortisation of intangible fixed assets (see Note 9)	16,417	74,022
Impairment of intangible fixed assets (see Note 9)	–	117,980
Depreciation of property, plant and equipment (see Note 10)	38,109	10,790

Direct operating costs are expenses that are directly related to the Group's lending operations, including credit loss provisioning and costs related to loan processing and monitoring. Administrative expenses include overhead, marketing and other expenses related to the Group's business.

5 DIRECTORS AND EMPLOYEES

Staff costs including directors' emoluments:

	2008	2007
	€	€
Wages and salaries	1,693,615	1,107,897
Social security costs	464,168	313,462
Share based compensation	195,585	332,799
	<u>2,353,368</u>	<u>1,754,158</u>
Included in the above are Directors' emoluments of	376,287	386,266

The highest paid director received during the year 2008: €120,000 (2007: €120,000).

The average monthly number employed including executive directors:

	2008	2007
	Number	Number
Senior management	2	2
Support staff	44	22
	<u>46</u>	<u>24</u>

Notes to the consolidated financial statements (continued)

6 INTEREST PAYABLE AND SIMILAR CHARGES AND INTEREST RECEIVABLE

	2008 €	2007 €
Interest receivable on bank deposits	(14,346)	(14,039)
Interest payable on bank borrowings	998,788	146,713
	<u>984,442</u>	<u>132,674</u>

7 TAXATION

No corporation tax arises in Estonia unless a distribution is made. No distribution has been made in the periods and so no liability to corporation tax arises.

	Latvia €	Lithuania €	Finland €	Total €
Tax rate	15%	15%	26%	15-26%
(Loss)/profit before tax	(272,849)	492,130	543,413	762,694
Expenses not deductible for tax purposes	1,787,323	686,415	236,191	2,709,929
Expenses decreasing the profit for tax purposes	(690,891)	(377,433)	–	(1,068,324)
Utilisation of tax losses carried forward	(189,800)	(54,864)	(914,641)	(1,159,305)
Taxable result	<u>633,784</u>	<u>746,248</u>	<u>(135,037)</u>	<u>1,244,994</u>
Income tax expense	95,068	111,937	–	207,005
Deferred tax (income)/expense (note 7A)	(95,068)	(29,708)	–	(124,776)
Net taxation	<u>–</u>	<u>82,229</u>	<u>–</u>	<u>82,229</u>

7A DEFERRED INCOME TAX

	Latvia €	Lithuania €	Finland €	Total €
Deferred income tax liability	–	–	–	–
Deferred income tax asset				
On bad debt provisions	1,122,686	749,251	765,036	2,636,973
Other temporary differences	1,631	16,532	–	18,163
Total	<u>1,124,317</u>	<u>765,783</u>	<u>765,036</u>	<u>2,655,136</u>
Deferred income tax asset, net thereof	1,124,317	765,783	763,036	2,655,136
Current portion (recovered within 12 months)	633,787	148,543	–	782,330
Unrecognised temporary difference	490,530	617,240	763,036	1,872,806
Deferred income tax expenses (income) (note 7)	<u>(95,068)</u>	<u>(29,708)</u>	<u>–</u>	<u>(124,776)</u>

Notes to the consolidated financial statements (continued)

8 PROFIT/LOSS PER ORDINARY SHARE

The calculation of basic profit/(loss) per ordinary share is based on:

	2008	2007
	Number	Number
The weighted average number of Ordinary shares in issue during the period	16,992,770	13,994,436
The profit/(loss) for the period (€)	126,849	(3,076,054)

The calculation of diluted profit/(loss) per share is based on:

	2008	2007
	Number	Number
The weighted average number of shares under option	1,443,248	1,134,663

9 INTANGIBLE FIXED ASSETS

Group	Trademarks and Software €	Goodwill €	Total €
Cost			
At 1 January 2008	218,467	737,723	956,190
Additions	28,687	–	28,687
Disposal	(186,012)	–	(186,012)
At 31 December 2008	61,142	737,723	798,865
Amortisation			
At 1 January 2008	193,731	–	193,731
Charge for the year	16,417	–	16,417
Disposal	(186,012)	–	(186,012)
At 31 December 2008	24,136	–	24,136
Net book value			
At 31 December 2008	37,006	737,723	774,729
At 31 December 2007	24,736	737,723	762,459

At the year end 2007 the Directors reviewed the carrying value of certain Group legacy software systems and considered that they were unusable in its current and likely future operations. As a result the resale value of these systems was estimated as nil and an impairment charge of €117,980 was included in the Group's 2007 income statement. In 2008 the cost and accumulated amortisation of these legacy software systems (€186,012) has been disposed of.

Notes to the consolidated financial statements (continued)

10 PROPERTY, PLANT AND EQUIPMENT

Group	Office equipment €
Cost	
At 1 January 2008	77,585
Additions	69,705
Discontinued operations	(17,710)
At 31 December 2008	129,580
Depreciation	
At 1 January 2008	10,806
Charge for the year	38,109
Discontinued operations	(3,615)
At 31 December 2008	45,300
Net book value	
At 31 December 2008	84,280
At 31 December 2007	66,779

During the year the directors reviewed property, plant and equipment and identified that loan terminals in the Latvian entity, Mobile Credit Latvia SIA, were no longer in use. At the year end these assets have been removed from property, plant and equipment and disclosed in current assets on the face of the balance sheet as assets classified as held for sale. The directors reviewed the carrying value of these assets and determined that an impairment was necessary to bring them down to their fair value, €9,611.

11 INVESTMENTS IN SUBSIDIARIES

Company	€
At 1 January 2008	5,034,256
Additions (see Note 11 (B))	4,760,490
At 31 December 2008	9,794,746

(A) SUMMARY OF PRINCIPAL SUBSIDIARY UNDERTAKINGS

The Company owns 100% of the share capital of MCB Finance AS (formerly Mobile Baltic Credit AS), a holding company which is incorporated in Estonia.

MCB Finance AS (formerly Mobile Baltic Credit AS) owns 100% of the issued share capital of the following companies, all of which provide financial services:

- MCB Finance Estonia Oü (formerly Mobile Credit Estonia Oü), a company incorporated in Estonia
- UAB MCB Finance (formerly UAB Mobile Credit Baltic), a company incorporated in Lithuania
- Mobile Credit Latvia SIA, a company incorporated in Latvia
- MCB Finance Finland Oy (formerly Mobile Credit Nordic Oy), a company incorporated in Finland

The reporting date of the principal subsidiary undertakings is 31 December 2008.

Notes to the consolidated financial statements (continued)

11 INVESTMENTS IN SUBSIDIARIES (continued)

(B) ADDITIONS

During the year the Company subscribed for one additional share in its subsidiary undertaking MCB Finance AS (formerly Mobile Credit Baltic AS) for cash consideration.

12 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Customer loan receivables	20,385,105	7,995,514	–	–
Amounts due from group undertakings	–	–	929,585	952,896
Other receivables	523,920	192,224	8,830	16,760
	20,909,025	8,187,738	938,415	969,656

Customer loan receivables are stated net of bad debt provisions of €4,361,291 (31 December 2007: €1,301,403). The provisions charged and the amount written off to the income statement during the period was €4,030,384 (2007: €1,386,782).

Included in the above are trade receivables due after more than one year:

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Customer loan receivables	766,418	45,686	–	–
Other receivables	–	2,172	–	–
	766,418	47,858	–	–

13 CALLED UP SHARE CAPITAL

	2008		2007	
	Number of 10p shares	€	Number of 10p shares	€
Authorised				
Ordinary shares of 10p each	30,000,000	3,216,600	20,000,000	2,970,320
Issued and fully paid				
Ordinary shares of 10p each	17,394,247	2,542,460	14,063,815	2,095,567

The Group has one class of ordinary share which carry no right to fixed income.

(A) SHARE ISSUES DURING THE YEAR

On 14 February 2008 the Company issued 3,330,432 Ordinary shares, raising €4.95 million (net of expenses).

Notes to the consolidated financial statements (continued)

13 CALLED UP SHARE CAPITAL (continued)

(B) SHARE OPTION SCHEMES

During the year the Company issued a further 190,362 options over the Ordinary shares of the Company. One-twelfth of the options granted vest at the end of each calendar quarter (subject to the option holder remaining an employee of the Company). The option holders have an obligation to reimburse any income tax paid by the Company in connection with the exercise of the option. None of these options lapsed or were exercised during the year.

	Number	Exercise price	Expiry
Directors	482,000	41p	31 December 2011
	437,000	150p	31 December 2011
	45,000	171p	30 June 2012
	65,362	150p	28 February 2013
Employees	203,000	150p	31 December 2011
	76,000	41p	31 December 2011
	10,000	171.5p	16 September 2012
	10,000	176.5p	01 November 2012
	20,000	176.5p	15 November 2012
	30,000	184.5p	31 December 2011
	55,000	150p	05 February 2013
	70,000	150p	12 August 2013
	1,503,362		

The weighted average exercise price of the options outstanding at the end of the year was 89p. The weighted-average remaining contractual life was 3.5 years.

The fair value of the above options have been calculated using the trinomial lattice model, using the following assumptions:

Expected volatility	40%
Expected life (days)	241 to 1,411
Risk free rate	5.5%
Dividend yield	Nil
Fair value	6.9p to 70.4p

Expected volatility was based on an expectation of the amount by which the Company's share price was estimated to fluctuate during the options' lives and is expressed as the annualised standard deviation of the continuously compounded rate of return of these shares, and is in line with comparable companies. The expected life used in the model has been adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the consolidated financial statements (continued)

14 STATEMENT OF CHANGES IN EQUITY

Group	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
At the start of the year	2,095,567	3,965,831	332,799	(3,129,055)	3,265,142
Profit for the financial period	–	–	–	126,849	126,849
Arising on share issue	446,893	4,488,039	–	–	4,934,932
Arising on employee share options	–	–	195,585	–	195,585
At the end of the year	2,542,460	8,453,870	528,384	(3,002,206)	8,522,508
Company	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
At the start of the year	2,095,567	3,965,831	332,799	(450,560)	5,943,637
Loss for the financial period	–	–	–	(379,046)	(379,046)
Arising on share issue	446,893	4,488,039	–	–	4,934,932
Arising on employee share options	–	–	195,585	–	195,585
At the end of the year	2,542,460	8,453,870	528,384	(829,606)	10,695,108

Share capital relates to the nominal value of shares issued

Share premium relates to the amounts subscribed for share capital in excess of the nominal value of the shares.

The equity-settled employee benefits reserve (“other reserves”) arises on the grant of share options to employees under the employee share option plan. Further information about the share based payments to employees is set out in Note 13 (B) above

Retained earnings relates to cumulative profits and losses recognised in the consolidated income statement.

As permitted by Section 230(1) of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company' loss for the year was €379,046 (2007: loss €450,560).

Notes to the consolidated financial statements (continued)

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Trade payables	186,814	243,669	–	21,433
Corporation tax	207,005	–	–	–
Other taxation and social security	178,921	349,090	–	–
Other creditors	204,385	137,675	–	–
Accruals	206,031	176,030	39,355	42,243
	983,156	906,464	39,355	63,676

16 SHORT TERM BORROWINGS

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Bank loans and overdrafts	–	4,550,000	–	–

The bank loan at 31 December 2007 bore interest at 12.5% pa. The facility was repayable on 24 August 2008. During the year the facility was renewed and extended to a revised repayable date of 24 March 2010. As a result the bank loan at 31 December 2008 is classified as long term borrowing (note 17).

17 LONG TERM BORROWINGS

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Bank loans and overdrafts	12,050,000	–	–	–

The interest on the loan from Rietumu Bank is 12.5% pa. The loan is secured by a floating charge over the Group's outstanding customer loan receivables, certain of the Group's bank accounts, and by all property including existing and future tangible and / or intangible property owned by Mobile Credit Latvia SIA. The credit facility has a loan limit of €15,000,000 and is repayable on 24 March 2010.

Notes to the consolidated financial statements (continued)

18 OPERATING LEASE COMMITMENTS

The Group has liabilities from non-cancellable operating leases in respect of office space under short-term leases as follows:

	2008	2007
	€	€
Rental payments within 1 year	35,699	52,441
Rental payments over 1 and within 5 years	–	35,089
	<u>35,699</u>	<u>87,530</u>

Under the terms of the rental agreement, the lease expires on 31 May 2009, although the Group may opt to continue the lease subject to a three months notice period.

19 NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION TO OPERATING CASH FLOWS

	<u>Group</u>		<u>Company</u>	
	2008	2007	2008	2007
	€	€	€	€
Profit/(loss) on ordinary activities before taxation	209,078	(3,076,054)	(379,046)	(450,560)
Depreciation	38,109	10,790	–	–
Amortisation	16,417	74,022	–	–
Impairment	–	117,980	–	–
Employees share options	195,585	332,799	195,585	332,799
Increase in debtors	(12,716,803)	(7,010,325)	31,241	(16,760)
Increase in creditors	577,746	1,248,225	(24,321)	63,537
	<u></u>	<u></u>	<u></u>	<u></u>
Cash flow used in operating activities	<u>(11,679,868)</u>	<u>(8,302,563)</u>	<u>(176,541)</u>	<u>(70,984)</u>

(B) CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	2008	2007	2008	2007
	€	€	€	€
Cash at bank and in hand	<u>1,162,765</u>	<u>506,093</u>	<u>1,302</u>	<u>3,401</u>

Notes to the consolidated financial statements (continued)

20 RELATED PARTIES

The Directors consider that as of 31 December 2008 the Company does not have an ultimate parent undertaking or controlling party.

During the year the Group was charged a license fee of €275,555 (2007: €268,334) by MC Global Limited, and the Group paid MC Global Limited €282,301 (2007: €283,334), resulting in a net amount owed by MC Global Limited of €24,031 (2007: €17,285) at the end of the year. The license fee is payable under the terms of contract dated 19 December 2006, and subsequently amended 27 February 2008, under which the Group has a perpetual, exclusive and irrevocable right to use the "Credit24" brand in Estonia, Lithuania, Latvia, Finland, Czech Republic, Slovakia, Hungary, Poland, Romania, Slovenia, Croatia, Serbia, Macedonia, Montenegro, Bosnia, Albania, Kosovo, Bulgaria, Moldova, Ukraine and Belarus for consideration of an annual fee of €248,000 per annum, to be increased annually by the Monetary Union Index of Consumer Prices.

During the year the Group incurred €nil (2007: €Nil) expenses on behalf of MCB Holding Limited, resulting in a net amount owed by MCB Holding Limited of €nil (2007: €7,795) at the end of the year.

Further related party transactions are summarised below:

TRANSACTIONS	2008	2007
	€	€
Marketing services received ¹⁾	172,509	-
IT and Consultancy services received ²⁾	58,435	49,613
Marketing services paid ¹⁾	148,908	-
IT and Consultancy services paid ²⁾	57,196	49,613
	<hr/>	<hr/>
BALANCES	2008	2007
	€	€
Payables for Marketing services ¹⁾	23,601	-
Payables for IT and Consultancy services ²⁾	1,239	-
	<hr/>	<hr/>

1) Related parties include Clickit Baltic Oü, Klikkicom Ab and Klikkicom Oy

2) Related parties include Solotel Oy, Stratos Ventures Inc., Stratos Ventures Ltd., Veinisõber Oü, Abundantia Invest Oy, Mlaboratory Oü, PCT Arvutid AS and Pepe Promotsioon Oü.

Notes to the consolidated financial statements (continued)**21 FINANCIAL INSTRUMENTS****Liquidity risk**

The Group maintains sufficient liquid resources in its operating currencies to meet its immediate working capital needs. Liquid resources are deposited with mainstream authorised banks or institutions with an equivalent level of prudential supervision. Cash deposits generally have a maturity of three months or less.

Credit risk

The Group is exposed to credit risk through its customer loans. The Group manages this risk by the verification of customer's identity, other personal and financial information, confirmation of an acceptable credit history, and daily reviews of the outstanding loan portfolio supported by procedures to monitor and manage the repayment process which includes the use of reputable and well-established credit collection agencies. If the Group's provision against its outstanding customer receivables at 31 December 2008 had been 3% higher or lower, and all other variables were held constant, then the Group's profit for the year ended 31 December 2008 would have decreased or increased by €131,488. The maximum exposure to credit risk is disclosed in note 12.

Currency risk

The Group currently operates within countries which either use its functional currency or whose currency is currently pegged to that currency. Foreign exchange risk is managed by ensuring any non-Euro cash receipts or payments are converted to Euros promptly.

Interest rate risk

The Group is exposed to interest rate risk primarily from its cash deposits which, because of their short maturities, earn interest on what is effectively a floating rate basis. Short-term borrowings are also arranged on a floating rate basis when required. If interest rates had been 0.5% higher or lower, and all other variables were held constant, then the Group's profit for the year ended 31 December 2008 would have increased or decreased by €2,000, due to the Group's exposure to variable interest rates on its cash deposits. The Group's sensitivity to interest rates is mitigated by its current use of fixed-rate short-term borrowings.

SHAREHOLDER INFORMATION

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