

MCB Finance Group Plc
Annual Report and Accounts
For the year ended 31 December 2009

Company No. 06032184

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CHAIRMAN'S STATEMENT

Final results for the 12 months ended 31 December 2009

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, today announces its results for the 12 months ended 31 December 2009.

Operational and financial highlights

- Pro-forma pre-tax loss of -€0.63m for the full year (2008: €0.49m profit)
- Return to profitability in the second half with a pro-forma pre-tax profit of €0.56m.
- Economic conditions have stabilised after the unprecedented deterioration early in the year
- Successful restructuring of lending operations, with improved credit scoring, collections and cost reductions.
- Significant improvements in credit quality in the second half, back to target levels
- €10m credit facility with Rietumu bank extended to March 2011
- Company well positioned to resume growth once market conditions improve

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 sector, 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 mainly 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

Early 2009 was characterised by an unprecedented deterioration in economic conditions in the Baltic states and Finland, to which MCB aggressively responded by tightening credit criteria, adjusting loan terms, re-focusing lending to its highest-quality customers and improving credit scoring and collection processes. While credit performance was poor during the first half of the year, the actions taken by management resulted in significantly improved credit performance during the second half, and a return to profitability.

Economic environment:

Economic conditions in all markets in which MCB operates deteriorated dramatically during the first half of 2009, particularly in the Baltics which saw unprecedented drops in economic activity, increased unemployment, and greater pressure on household finances. Finland experienced similar trends although the deceleration was much less severe. As expected at the time of the interim results, economic conditions bottomed out during the second half and have stabilised, although at a low level.

CHAIRMAN'S STATEMENT (continued)Lending volumes

The Company extended approximately €40.4 million of loan principal during the year, down from €56.6 million in 2008. Out of this, €16.1 million was lent during the second half of the year, down from €24.3 million in the first half. The Company reduced lending volumes materially after the first quarter to limit its exposure to the deteriorating markets while it implemented changes to lending operations.

While it reduced overall lending, MCB took advantage of the significant differences between markets to focus on the areas of greatest opportunity. As a result lending has been focused on its best-performing markets of Lithuania and Finland, which together accounted for 75% of volumes during 2009, with Estonia accounting for most of the remainder. Lending in Latvia, where the economic situation has been most severe, was deliberately restricted. The Company also focused on existing customers with good credit history, temporarily reducing the proportion of loans granted to new customers.

At the same time MCB shortened loan maturities from an average of approximately five months at the end of 2008 to approximately three months starting Q2, while maintaining lending margins. This has resulted not only in better visibility on credit performance, but also improved cash dynamics and higher returns on capital deployed to lending operations.

The Company has continued to improve the range and terms of products offered to customers. We believe MCB Finance now has one of the most comprehensive and flexible product selections in the short-term lending market, and a high rate of customer satisfaction. MCB Finance has continued actively to promote its Credit24 brand which remains one of the largest and most recognised providers of non-standard consumer loans in the markets in which the Company operates. We believe MCB's product selection, brand recognition and credit scoring abilities will benefit the Company as markets improve going forward.

Repayment performance

In early 2009 MCB initiated a project to improve its credit risk management procedures and scorecards. The company also reorganised its collection procedures to enable more effective management of delinquent accounts. As expected at the time of our interim results, these actions have resulted in significantly improved performance of loan pools, better collections of receivables in arrears, and greater control over credit issuance criteria and projected default rates. Delinquency rates of loan pools issued starting late Q2 2009 in Lithuania, Estonia and Latvia are now lower than at any time since the Company began trading, despite continued weak economic conditions. Delinquencies in Finland are at levels experienced in 2008 before the onset of the economic crisis. The Company has continued to sell aged receivables in Finland on attractive terms.

Debt financing

The Company has agreed with Rietumu Bank to extend its revolving credit facility to the end of March 2011. The facility was previously scheduled to mature in March 2010. The size of the facility will be revised to €10 million, down from €15 million previously and in line with MCB's requirements going forward. The interest on amounts drawn will be 13%, up from 12.5% previously. Approximately €5.9 million is currently drawn from the facility.

In connection with the renewal of the credit facility, MCB will grant Rietumu the option to purchase 724,760 shares in MCB Finance Group Plc (equivalent to approximately 4.2% of the current issued shares) at an exercise price of 45p. The option will expire 31 March 2011. In the event the option is exercised Rietumu will have the obligation to extend the credit facility for a further year to March 2012.

We are delighted to continue our partnership with Rietumu, and the extension of the credit facility gives MCB good visibility on the financing required to support the continued development of the Company.

CHAIRMAN'S STATEMENT (continued)**Financial review**

Revenue for the 12 months ended 31 December 2009 totalled €15.67m (2008: €13.06m). The higher revenues, despite lower lending volumes, are a result of increased average margins during 2009 and carry-over from lending made late 2008. Direct operating expenses, which include provisions and variable costs related to the Company's lending operations, were €9.82m (2008: €6.08m). Direct operating expenses excluding provisions were €2.06m (2008: €2.05m). Proforma administrative expenses were €5.16m (2008: €5.51m). Net finance costs were €1.32m (2008: €0.98m). The proforma pre-tax loss for the period was -€0.63m (2008 pre-tax profit: €0.49m). Proforma net loss for the period was -€1.06m (2008 net profit: €0.40m). Despite the net loss the Group was cash flow positive for the year.

The proforma figures above exclude non-cash reserves arising on employee share options.

Credit loss provisions totalled €7.76m for the period, or 50% of revenue, up from 31% of revenue during 2008. The large majority of provisions were taken during the first half of the year and reflect the weak performance of loan pools issued late 2008 and Q1 2009. Provisions were 37% of revenue in the second half of the year, and are expected to return to 2008 levels going forward.

While the Group as a whole was loss making during 2009 there were significant differences between markets. The Company's Finnish and Lithuanian operations each contributed positively to the Group's full year results. Estonia was close to break-even, while the Latvian operation's contribution was significantly negative due to high provisions.

The Company accrued a €0.42m tax liability for the year, primarily from its profitable Lithuanian operations. The accrued tax liability is high relative to this division's EBT contribution due to peculiarities in Lithuanian tax legislation which do not allow the deduction of certain costs for taxation purposes. We expect eventual 2009 liabilities to be reduced following further review.

The second half of the year saw a significant improvement in financial performance over the first half as a result of reduced provisioning requirements and reduced costs. The second half generated a pre-tax profit of €0.56, after a first half pre-tax loss of -€1.19m. As anticipated at the time of our interim results, the Company benefited from the cost reductions initiated in the first half of the year. Direct operating expenses and administrative expenses were reduced in the second half by 22% and 25% respectively compared to the first.

CHAIRMAN'S STATEMENT (continued)

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

<i>(€ thousands)</i>	Year ended 31 December		2H 2009	1H 2009	2H	1H
	2009	2008			2008	2008
Principal lent	40,424	56,606	16,143	24,281	30,520	26,086
Revenue	15,668	13,055	6,752	8,916	8,082	4,973
Direct operating expenses	-9,824	-6,077	-3,430	-6,394	-3,674	-2,403
out of which Credit loss provisions	-7,764	-4,031	-2,526	-5,238	-2,534	-1,497
Provisions as % of Revenue	50%	31%	37%	59%	31%	30%
Proforma Administrative expenses	-5,156	-5,507	-2,212	-2,944	-2,820	-2,687
Net interest expenses	-1,322	-984	-554	-768	-648	-337
Proforma EBT (loss)	-634	486	556	-1,190	939	-453
Proforma net income (loss)	-1,056	404	366	-1,422	857	-453
Customer loan receivables	12,811	20,385	12,811	17,617	20,385	15,014
Borrowings	6,460	12,050	6,460	10,730	12,050	7,450
Total equity	7,467	8,522	7,467	7,101	8,522	7,763
Debt/equity ratio	87%	141%	87%	151%	141%	96%

At the end of the period customer loan receivables totalled €12.81m (net of provisions), down from €20.39m at the end of 2008 and €17.62m at 30 June 2009 due to lower lending volumes and shorter average loan maturities.

MCB ended the year with a strengthened balance sheet, having repaid approximately €5.6m of its credit facility out of internally generated cash flow. At 31 December 2009 the Company had drawn €6.46m from its credit facility with Rietumu bank, down from €12.05m at 31 December 2008. The amount drawn has been further reduced to €5.9m at the end of February 2010. The reduced leverage has increased the Company's debt financing headroom for future growth. The Company has to date met all of its banking obligations and the Board expects the Company will continue to trade within its banking covenants.

Current trading and outlook

2009 was a particularly challenging year as a result of the market conditions that have affected the economies in which we operate. As soon as the extent of the economic deterioration in the Baltics became apparent we acted quickly and took the measures necessary to minimise default, and focused on our most productive business activities. The rapid and significant improvement achieved in the second half is a consequence of these actions.

CHAIRMAN'S STATEMENT (continued)

Current trading and outlook (continued)

MCB has come through one of the most turbulent and testing times in recent economic history. Having successfully undertaken the changes needed, the business has emerged considerably stronger, providing a robust platform for future growth. Since the end of the year MCB has maintained a cautious approach to lending and remains focused on credit quality, collections and improving our product offering. Lending volumes have remained steady, while credit performance continues to be strong. The focus is now on gradually increasing volumes while maintaining quality.

Our business model has been tested fully, as have the skill and determination of management. We expect economic conditions to improve gradually from current levels, benefiting operations in our current markets. While we are not currently seeking expansion into new markets, this remains an important component of our long-term strategy and we will continue researching opportunities with a view to possibly launch one additional market in 2011. We remain confident about both the strength of the business model and the benefits of a multi-territory approach, enabling the Company to leverage its central operating structure and focus on its most productive activities and regions.

Bertil Rydevik
Chairman

6 April 2010

BOARD OF DIRECTORS

Executive Directors

1. Rami Ryhänen

Chief Executive Officer (Age 42)

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 38)

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 57)

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 47)

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 42)

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 52)

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 2009

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2009.

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.

Business review and future developments

A review of 2009, together with likely future developments, is contained in the Chairman's Statement on pages 2 to 6.

Results and dividends

The loss for the year ended 31 December 2009 attributable to shareholders was €1,040,604 (2008: €126,849 profit), as set out in the consolidated statement of comprehensive income on page 15. 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. During the year the Directors had corporate directors and management liability insurance in place.

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				
	2009		2008		
	Number	%	Number	%	
Rami Ryhänen	127,684	0.7	127,684	0.7	(a)
Henry Nilert	611,952	3.5	611,952	3.5	(b)
Bertil Rydevik	359,112	2.1	359,112	2.1	
Richard Parkinson	1,308,764	7.5	1,308,764	7.5	(c)
Philippe Duleyrie	419,211	2.4	419,211	2.4	

(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 20 to the financial statements on pages 37 and 38.

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 2009 the average creditor days were 9 (2008: 12).

DIRECTORS' REPORT (continued)

For the year ended 31 December 2009

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. The Company's objectives in relation to financial instruments are set out in Note 20 to the financial statements.

Principal risks and uncertainties

The Company's approach and response to risks and uncertainties is set out in the Chairman's Report and in Note 20 to the financial statements.

Significant shareholdings

The significant shareholdings as at 31 December 2009 were as follows:

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.

Statement of disclosure of information to auditors

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 2006. 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.

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.

DIRECTORS' REPORT (continued)

Annual General Meeting

The Annual General Meeting will be held on 11th May 2010.

By Order of the Board

Henry Nilert

Company Secretary

65 Duke Street
London
W1K 5NT

6 April 2010

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 13 and 14, 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.

Independent auditor's report to the members of MCB Finance Group plc

For the year ended 31 December 2009

We have audited the financial statements of MCB Finance Group plc for the 31 December 2009 which comprise the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Article 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard Metcalfe (Senior statutory auditor)
for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)
Tower Bridge House
St Katharine's Way
London E1W 1DD

6 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Note	2009 €	2008 €
Revenue	3	15,667,855	13,055,266
Direct operating expenses		(9,824,109)	(6,077,072)
Cost of employee share options	13	15,100	(195,585)
Termination of contract payment	4	–	(82,250)
Other administrative expenses		(5,156,052)	(5,506,839)
Administrative expenses		(5,140,952)	(5,784,674)
Finance costs	6	(1,321,695)	(984,442)
(Loss)/profit before tax	4	(618,901)	209,078
Taxation	7	(421,703)	(82,229)
(Loss)/profit attributable to the equity shareholders of the parent		(1,040,604)	126,849
Total comprehensive income attributable to the equity shareholders of the parent		(1,040,604)	126,849
Proforma (loss)/Profit calculation			
Cost of employee share options	13	(15,100)	195,585
Termination of contract payment		–	82,250
Proforma (loss)/profit before taxation		(634,001)	486,913
Taxation		(421,703)	(82,229)
Proforma (loss)/profit after taxation		(1,055,704)	404,684
		2009	2008
		€	€
Basic (loss)/earnings per Ordinary share	8	(0.0598)	0.0075
Diluted (loss)/earnings per Ordinary share	8	(0.0598)	0.0074

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

As permitted by Section 408(1) of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the year was €123,546 (2008: loss €379,046).

Company No. 06032184

The accompanying notes on pages 21 to 38 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	Note	€	2009 €	€	2008 €
ASSETS					
Non-current assets					
Goodwill	9	737,723		737,723	
Intangible assets	9	21,145		37,006	
Property, plant and equipment	10	53,822		84,280	
Deferred tax asset	7 (A)	–		124,776	
Total non-current assets			812,690		983,785
Current assets					
Trade and other receivables	12	12,980,244		20,909,025	
Assets classified as held for sale		–		9,611	
Cash and cash equivalents	18 (B)	2,214,477		1,162,765	
Total current assets			15,194,721		22,081,401
Total assets			16,007,411		23,065,186
EQUITY AND LIABILITIES					
Equity					
Issued share capital	13	2,542,460		2,542,460	
Share premium account		8,453,870		8,453,870	
Other reserves		513,284		528,384	
Retained earnings		(4,042,810)		(3,002,206)	
Total equity			7,466,804		8,522,508
Current liabilities					
Trade and other payables	14	1,100,615		983,156	
Deferred income		979,992		1,509,522	
Short-term borrowings	15	6,460,000		–	
Total current liabilities			8,540,607		2,492,678
Non-current liabilities					
Long-term borrowings	16	–		12,050,000	
Total non-current liabilities			–		12,050,000
Total equity and liabilities			16,007,411		23,065,186

The financial statements on pages 15 to 38 were approved by the Board of Directors and authorised for issue on 6 April 2010 and were signed on its behalf by:

B Rydevik
Chairman

H Nilert
Chief Financial Officer

The accompanying notes on pages 21 to 38 form an integral part of these financial statements.

COMPANY BALANCE SHEET
As at 31 December 2009

	Note	€	2009 €	€	2008 €
ASSETS					
Non-current assets					
Investments in subsidiaries	11	9,794,746		9,794,746	
Total non-current assets			9,794,746		9,794,746
Current assets					
Trade and other receivables	12	801,677		938,415	
Cash and cash equivalents	18 (B)	569		1,302	
Total current assets			802,246		939,717
Total assets			10,596,992		10,734,463
EQUITY AND LIABILITIES					
Equity					
Issued share capital	13	2,542,460		2,542,460	
Share premium account		8,453,870		8,453,870	
Other reserves		513,284		528,384	
Retained earnings		(953,151)		(829,606)	
Total equity			10,556,462		10,695,108
Current liabilities					
Trade and other payables	14	40,530		39,355	
Total current liabilities			40,530		39,355
Total equity and liabilities			10,596,992		10,734,463

The financial statements on pages 15 to 38 were approved by the Board of Directors and authorised for issue on 6 April 2010 and were signed on its behalf by:

B Rydevik
Chairman

H Nilert
Chief Financial Officer

The accompanying notes on pages 21 to 38 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

	Note	Group		Company	
		2009	2008	2009	2008
		€	€	€	€
Cash flow from operating activities					
Cash generated from operations	18 (A)	6,801,157	(11,679,868)	(733)	(176,541)
Income tax paid		(136,439)	–	–	–
Net cash generated from operating activities		6,664,718	(11,679,868)	(733)	(176,541)
Cash flow from investing activities					
Purchase of property, plant and equipment		(18,599)	(69,705)	–	–
Purchase of intangible assets		(4,407)	(28,687)	–	–
Investment in subsidiary undertaking		–	–	–	(4,760,490)
Net cash used in investing activities		(23,006)	(98,392)	–	(4,760,490)
Cash flow from financing activities					
Issue of share capital		–	5,139,265	–	5,139,265
Expenses relating to the issue of shares		–	(204,333)	–	(204,333)
Net (decrease)/increase in borrowing		(5,590,000)	7,500,000	–	–
Net cash raised from (used in) financing activities		(5,590,000)	12,434,932	–	4,934,932
Increase in cash and cash equivalents	18 (B)	1,051,712	656,672	(733)	(2,099)
Cash and cash equivalents at 1 January	18 (B)	1,162,765	506,093	1,302	3,401
Cash and cash equivalents at 31 December	18 (B)	2,214,477	1,162,765	569	1,302

The accompanying notes on pages 21 to 38 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €	Share premium €	Other reserves €	Retained earnings	Total €
Balance at 1 January 2008	2,095,567	3,965,831	332,799	(3,129,555)	3,265,142
Comprehensive income					
Profit/(loss) for the financial period	–	–	–	126,849	126,849
Other comprehensive income					
Arising on share issue	446,893	4,488,039	–	–	4,934,932
Arising on employee share options	–	–	195,585	–	195,585
Balance at 1 January 2009	2,542,460	8,453,870	528,384	(3,002,206)	8,522,508
Comprehensive income					
Profit/(loss) for the financial period	–	–	–	(1,040,604)	(1,040,604)
Other comprehensive income					
Arising on employee share options	–	–	(15,100)	–	(15,100)
Balance at 31 December 2009	2,542,460	8,453,870	513,284	(4,042,810)	7,466,804

The accompanying notes on pages 21 to 38 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital €	Share premium €	Other reserves €	Retained earnings	Total €
Balance at 1 January 2008	2,095,567	3,965,831	332,799	(450,560)	5,943,637
Comprehensive income					
Profit/(loss) for the financial period	–	–	–	(379,046)	(379,046)
Other comprehensive income					
Arising on share issue	446,893	4,488,039	–	–	4,934,932
Arising on employee share options	–	–	195,585	–	195,585
Balance at 1 January 2009	2,542,460	8,453,870	528,384	(829,606)	10,695,108
Comprehensive income					
Profit/(loss) for the financial period	–	–	–	(123,546)	(123,546)
Other comprehensive income					
Arising on employee share options	–	–	(15,100)	–	(15,100)
Balance at 31 December 2009	2,542,460	8,453,870	513,284	(953,152)	10,556,462

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).

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

The accompanying notes on pages 21 to 38 form an integral part of these financial statements.

Notes to the consolidated financial statements

1 ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2009

General information

MCB Finance Group Plc ('the company') and its subsidiaries (together, 'the group') provides credit solutions under the Credit24 brand to retail customers in Finland and the Baltic countries of Estonia, Latvia and Lithuania. The company is a public limited company which is listed on the Alternative Investment Market (AIM), a sub-market of the London Stock Exchange, and is incorporated under the Companies Act and domiciled in the UK. The address of its registered office is 65 Duke Street, London, W1K 5NT.

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.

During the year the following standards were adopted:

- IFRS 8, Operating Segments;
- IAS 1, Presentation of Financial Statements (revised);

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

- IFRS 1, First-time adoption of IFRSs (revised);
- IFRS 3, Business Combinations (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;
- IAS 39, Financial instruments: recognition and measurement;
- IFRIC 12, Service concession arrangements
- IFRIC 17, Distribution of non-cash assets to owners
- IFRIC 18, Transfers of assets from customers

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. The annual impairment review considers the comparison of carrying value to discounted cash flows over a period of 5 years. 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.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

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. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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. Cash and cash equivalents are categorised as loans and receivables.

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

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. Borrowings and trade and other payables are categorised as other financial liabilities.

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 €1.11130 / £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.

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 written down value, providing for the difference at the prevailing tax rate.

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Taxation and deferred taxation (continued)

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 sufficient taxable profits are unlikely to be available in the short term 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.

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.

Restatements

A number of restatements have been made to the comparative information presented in these financial statements, details of which are set out in notes 4, 17 and 19. As these amounts, both individually and in total, are immaterial, and these do not result in any changes to the consolidated balance sheet or to the consolidated statement of comprehensive income, the directors do not consider it necessary to provide additional disclosures in relation to the consolidated balance sheet as at 01 January 2008.

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 makes allowances for bad debts based on estimates of the recoverability of receivables outstanding. Customer balances are deemed to be impaired as soon as any one monthly payment is over 30 days in arrears. The Group has undertaken research to determine future cash flows and estimate potential credit losses. Estimated future cash flows are based on the historical performance of customer balances falling into different arrears stages. 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 IFRS 2, 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 by the Chief Executive Officer as a single business segment. The Group operates in the following geographical segments which are grouped based on the relative similarities between markets and the reporting structures in use by the Company:

Year from 1 January 2009 to 31 December 2009

	Revenue €	Net (loss)/profit €	Assets €	Liabilities €
Baltics	10,126,877	(2,258,063)	9,136,105	(7,778,723)
Finland	5,540,978	1,217,459	6,871,306	(761,884)
	<u>15,667,855</u>	<u>(1,040,604)</u>	<u>16,007,411</u>	<u>(8,540,607)</u>

Year from 1 January 2009 to 31 December 2009

	Depreciation, amortisation and impairments €	Capital expenditure €
Baltics	44,348	12,002
Finland	21,220	11,004
	<u>65,568</u>	<u>23,006</u>

Year from 1 January 2008 to 31 December 2008

	Revenue €	Net (loss)/profit €	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>

Notes to the consolidated financial statements (continued)

4 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2009	2008
	€	(restated) €
Staff costs (see Note 5)	2,202,497	2,353,368
Credit losses	7,764,214	4,030,384
Operating leases	102,079	110,597
Net foreign exchange gains	(233)	(655)
Auditors' remuneration:		
- Payable to the company's auditors	27,530	42,512
- Payable to the auditors of the company's subsidiaries	52,031	91,466
- Non-audit services		
- Other services	19,055	740
Extraordinary payment related to termination of card provider contract	—	82,250
Amortisation of intangible fixed assets (see Note 9)	20,268	16,417
Depreciation of property, plant and equipment (see Note 10)	45,300	38,109

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.

Car lease expenses in Estonia have been added to the comparative figure. Expenses for "operating leases" have increased by €8,660 as a result. Presentation of the auditors' remuneration has been updated to provide more information than was disclosed in the prior year.

5 DIRECTORS AND EMPLOYEES

Staff costs including directors' emoluments:

	2009	2008
	€	€
Wages and salaries	1,775,346	1,693,615
Social security costs	431,959	464,168
Share based compensation	(4,808)	195,585
	2,202,497	2,353,368

Included in the above are Directors' emoluments of	382,891	376,287
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The highest paid director received during the year 2009: €134,000 (2008: €120,000).

Notes to the consolidated financial statements (continued)

5 DIRECTORS AND EMPLOYEES (continued)

The average monthly number employed including executive directors:

	2009	2008
Senior management	2	2
Support staff	48	44
	<u>50</u>	<u>46</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES AND INTEREST RECEIVABLE

	2009	2008
	€	€
Interest receivable on bank deposits	(3,676)	(14,346)
Interest payable on bank borrowings	1,325,371	998,788
	<u>1,321,695</u>	<u>984,442</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 in this country.

7 (A) TAX EXPENSE

	2009	2008
	€	€
Current year expense	401,603	207,005
Over provided in prior years	(104,676)	-
Current tax	<u>296,927</u>	<u>207,005</u>
Deferred tax expense related to the origination and reversal of temporary differences	124,776	(124,776)
Total tax expense in income statement	<u>421,703</u>	<u>82,229</u>

Notes to the consolidated financial statements (continued)

7 TAXATION (continued)

7 (B) NET TAXATION

	Latvia	Lithuania	Finland	2009 Total	2008 Total
	€	€	€	€	€
Tax rate	15%	20%	26%	15-26%	15-26%
(Loss)/profit before tax	(1,381,848)	397,552	896,153	88,143	762,694
Expenses not deductible for tax purposes	2,889,265	1,666,777	8,608	4,464,650	2,709,929
Expenses decreasing the profit for tax purposes	(2,714,393)	(62,407)	–	(2,776,800)	(1,068,324)
Adjustments related to past periods	(943,856)	–	(765,037)	(1,708,893)	–
Utilisation of tax losses carried forward	–	–	(135,037)	(135,037)	(1,159,305)
Taxable result	(2,150,832)	2,001,922	4,687	(144,223)	1,244,994
Income tax expense	–	400,384	1,219	401,603	207,005
Adjustment to prior period taxes	(95,068)	(9,609)	–	(104,677)	–
Reversal of deferred tax asset from 2008	95,068	29,709	–	124,777	–
Deferred tax (income)/expense (note 7C)	–	–	–	–	(124,776)
Net taxation	–	420,484	1,219	421,703	82,229

Due to local tax legislation rules, bad debts in Latvia for 2009 are shown under “Expenses not deductible for tax purposes” within the calculation. However, during 2009, the company obtained a ruling from the tax authorities which enables the company to deduct a significant element of its bad debts in the taxation calculation under certain criteria and limitations. The impact of this ruling for 2009 is shown under “Expenses decreasing the profit for tax purposes” and for 2008 under “Adjustments related to past periods”. For the same reason the tax liability and deferred tax asset from 2008 are reversed in Latvia.

Within the 2008 accounts, Finland had €765,036 marked as an “unrecognized temporary difference” in the deferred income tax note. During 2009 the company was able to find a solution which enabled it to use a major part of the temporary differences in bad debts within the 2009 taxation calculation. The impact of adjusting 2008 taxes is shown under “Adjustments related to past periods”

Notes to the consolidated financial statements (continued)

7 TAXATION (continued)

7 (C) DEFERRED INCOME TAX

	Provisioning		Other		Total
	Latvia	Lithuania	Latvia	Lithuania	
	€	€	€	€	€
Recognised deferred tax assets & liabilities					
Deferred tax assets:					
At 01 January 2008	–	–	–	–	–
Charged/(credited) to the statement of comprehensive income	(94,823)	(26,402)	(245)	(3,306)	(124,776)
Charged directly to equity	–	–	–	–	–
Exchange differences	–	–	–	–	–
At 31 December 2008	(94,823)	(26,402)	(245)	(3,306)	(124,776)
Charged/(credited) to the statement of comprehensive income	94,823	26,402	245	3,306	124,776
Charged directly to equity	–	–	–	–	–
Exchange differences	–	–	–	–	–
At 31 December 2009	–	–	–	–	–

Deferred tax was recognised on bad debt provisions of €nil (2008: €782,330), at a rate dependant on the country of origin. There were unrecognised temporary differences of €201,624 during the year (2008: €1,872,806).

For Lithuania the deferred tax asset made in 2008 has been reversed due to uncertainties in interpreting local tax laws. For the same reason in 2009 there are no figures shown for “unrecognized temporary difference” in relation to bad debts within the deferred income tax note. At the same time the final taxes for 2008 were lower by €9,609 which is shown under “Adjustment to prior period taxes”.

8 (LOSS)/PROFIT PER ORDINARY SHARE

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

	2009	2008
	Number	Number
The weighted average number of Ordinary shares in issue during the period	17,394,247	16,992,770
The (loss)/profit for the period (€)	(1,040,604)	126,849

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

	2009	2008
	Number	Number
The weighted average number of shares under option	1,429,472	1,443,248

As at 31 December 2009, as the Group is loss-making, any share options in issue are considered to be anti-dilutive and as such, the calculation is the same for both basic and diluted earnings per share.

Notes to the consolidated financial statements (continued)

9 INTANGIBLE FIXED ASSETS

Group	Trademarks and Software €	Goodwill €	Total €
At 1 January 2008			
Cost	218,467	737,723	956,190
Accumulated amortisation	(193,731)	–	(193,731)
Net book amount	24,736	737,723	762,459
Year ended 31 December 2008			
Opening net book amount	24,736	737,723	762,459
Additions	28,687	–	28,687
Disposals	(186,012)	–	(186,012)
Amortisation	(16,417)	–	(16,417)
Amortisation on disposals	186,012	–	186,012
Closing net book amount	37,006	737,723	774,729
At 31 December 2008			
Cost	61,142	737,723	798,865
Accumulated amortisation	(24,136)	–	(24,136)
Net book amount	37,006	737,723	774,729
Year ended 31 December 2009			
Opening net book amount	37,006	737,723	774,729
Additions	4,407	–	4,407
Amortisation	(20,268)	–	(20,268)
Closing net book amount	21,145	737,723	758,868
At 31 December 2009			
Cost	65,549	737,723	803,272
Accumulated amortisation	(44,404)	–	(44,404)
Net book amount	21,145	737,723	758,868

Notes to the consolidated financial statements (continued)

10 PROPERTY, PLANT AND EQUIPMENT

Group	Office equipment €
At 1 January 2008	
Cost	77,585
Accumulated depreciation	(10,806)
Net book amount	66,779
Year ended 31 December 2008	
Opening net book amount	66,779
Additions	69,705
Disposals	(17,710)
Depreciation charge	(38,109)
Depreciation on disposals	3,615
Closing net book amount	84,280
At 31 December 2008	
Cost	129,580
Accumulated depreciation	(45,300)
Net book amount	84,280
Year ended 31 December 2009	
Opening net book amount	84,280
Additions	18,599
Disposals	(5,675)
Depreciation charge	(45,300)
Depreciation on disposals	1,918
Closing net book amount	53,822
At 31 December 2009	
Cost	142,504
Accumulated depreciation	(88,682)
Net book amount	53,822

In the prior year the directors reviewed property, plant and equipment and identified that loan terminals in the Latvian entity, MCB Finance Latvia SIA (formerly Mobile Credit Latvia SIA) were no longer in use. An impairment was necessary to bring them down to their fair value, €9,611.

Notes to the consolidated financial statements (continued)

11 INVESTMENTS IN SUBSIDIARIES

Company €

At 31 December 2008 and 31 December 2009 9,794,746

SUMMARY OF PRINCIPAL SUBSIDIARY UNDERTAKINGS

The Company owns 100% of the share capital of MCB Finance AS, a holding company which is incorporated in Estonia. MCB Finance AS owns 100% of the issued share capital of the following companies, all of which provide financial services:

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

The reporting date of the principal subsidiary undertakings is 31 December 2009.

12 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Customer loan receivables	12,811,205	20,385,105	–	–
Amounts due from group undertakings	–	–	786,592	929,585
Other receivables	169,039	523,920	15,085	8,830
	<u>12,980,244</u>	<u>20,909,025</u>	<u>801,677</u>	<u>938,415</u>

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

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Customer loan receivables	<u>15,660</u>	<u>766,418</u>	<u>–</u>	<u>–</u>

Customer loan receivables are stated net of bad debt provisions. The movement in the bad debt provision during the year is as follows:

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
At 1 January	4,361,291	1,301,403	–	–
Charge for the year	7,566,541	4,010,650	–	–
Amounts written off during the year	(1,470,758)	(950,762)	–	–
At 31 December	<u>10,457,073</u>	<u>4,361,291</u>	<u>–</u>	<u>–</u>

The provisions charged to the statement of comprehensive income during the period were €7,566,541 (2008: €4,010,650), and there were additional credit losses during the year of €197,674 (2008: €19,734).

Notes to the consolidated financial statements (continued)

13 CALLED UP SHARE CAPITAL

	2009		2008	
	Number of 10p shares	€	Number of 10p shares	€
Authorised				
Ordinary shares of 10p each	<u>30,000,000</u>	<u>3,333,900</u>	<u>30,000,000</u>	<u>3,216,600</u>
Issued and fully paid				
Ordinary shares of 10p each	<u>17,394,247</u>	<u>2,542,460</u>	<u>17,394,247</u>	<u>2,542,460</u>

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

(A) SHARE ISSUES DURING THE YEAR

During the year ended 31 December 2009 no ordinary shares were issued.

(B) SHARE OPTION SCHEMES

During the year ended 31 December 2009 no further options of the Ordinary shares of the Company were issued. 110,000 share options were forfeited as a result of employees leaving the Company (2008: nil). The gain from the forfeit of these share options has been included within the results for the year ended 31 December 2009.

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.

	2009 Number	2008 Number	Exercise	Expiry
Directors	482,000	482,000	41p	31 December 2011
	437,000	437,000	150p	31 December 2011
	45,000	45,000	171p	30 June 2012
	65,362	65,362	150p	31 March 2013
Employees	203,000	203,000	150p	31 December 2011
	76,000	76,000	41p	31 December 2011
	–	30,000	184.5p	31 December 2011
	–	10,000	171.5p	16 September 2012
	10,000	10,000	176.5p	31 December 2012
	20,000	20,000	176.5p	31 December 2012
	55,000	55,000	150p	31 March 2013
	–	70,000	150p	12 August 2013
	<u>1,393,362</u>	<u>1,503,362</u>		

Notes to the consolidated financial statements (continued)

13 CALLED UP SHARE CAPITAL (continued)

(B) SHARE OPTION SCHEMES (continued)

Post year-end, as announced by the Company on the 8th of January 2010, the expiry period for 1,168,362 of the above options were extended by two years so they expire 5 years after the date of grant. Out of these, 610,362 options which had exercise prices of 150p or above had their exercise price reduced to 50p, slightly above the market price of the Company's shares during the last quarter of 2009. No changes were made to the remaining 225,000 options outstanding.

The number of options outstanding at the beginning of the year was 1,503,362. Following the forfeit of 110,000 share options during the year (2008: nil) the number of options outstanding as at 31 December 2009 was 1,393,362 (2008: 1,503,362). The weighted average exercise price of the options outstanding at the end of the year was 84p (2008: 89p). The weighted-average remaining contractual life was 2.5 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.

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Trade payables	211,482	186,814	–	–
Corporation tax	367,493	207,005	–	–
Other taxation and social security	179,860	178,921	–	–
Other creditors	182,705	204,385	–	–
Accruals	159,075	206,031	40,530	39,355
	1,100,615	983,156	40,530	39,355

15 SHORT TERM BORROWINGS

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Bank loans and overdrafts	6,460,000	–	–	–

Notes to the consolidated financial statements (continued)

15 SHORT TERM BORROWINGS (continued)

During the year the loan from Rietumu Bank incurred interest at 12.5% pa. For the year ended 31 December 2009 the credit facility had a loan limit of €15,000,000 and was due to be repaid on 24 March 2010. The comparative bank loan at 31 December 2008 was therefore classified as long term borrowing (note 16).

Post year-end the bank loan facility has been renewed. From 25 March 2010 the loan will incur interest at a rate of 13%, the credit facility will be revised to a loan limit of €10,000,000, and will be repayable on 31 March 2011.

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 MCB Finance Latvia SIA (formerly Mobile Credit Latvia SIA). In connection with the renewal of the bank loan facility Rietumu Bank acquired the option to purchase 724,760 shares in MCB Finance Group Plc at an exercise price of 45p. The option will expire on 31 March 2011. In the event that the share options are exercised, the bank loan facility will be extended until 31 March 2012.

16 LONG TERM BORROWINGS

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Bank loans and overdrafts	–	12,050,000	–	–

17 OPERATING LEASE COMMITMENTS

The Group has liabilities from non-cancellable operating leases in respect of office space and car long-term leases as follows:

	2009	2008
	€	<i>(restated)</i> €
Rental payments within 1 year	56,441	44,299
Rental payments over 1 and within 5 years	52,449	23,315
	108,890	67,614

Car lease commitments in Estonia have been added to the comparative figures. "Rental payments within one year" have increased by €8,600 and "rental payments over 1 and within 5 years" have increased by €23,315.

Under the terms of the rental agreement in Finland, the office lease expires on 31 May 2011, although the group may opt to continue the lease subject to a three month notice period.

Under the terms of the rental agreement in Lithuania, the office lease expires on 2 August 2012. Should the group choose to extend this, it must enter into negotiations at least six months prior to this date.

The car lease in Estonia expires on 15 September 2012.

Notes to the consolidated financial statements (continued)

18 NOTES TO THE CASH FLOW STATEMENT

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

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
(Loss)/profit on ordinary activities before taxation	(618,901)	209,078	(123,547)	(379,046)
Depreciation	45,300	38,109	-	-
Amortisation	20,268	16,417	-	-
Loss on disposal of property, plant and equipment	3,757	-	-	-
Employees share options	(15,100)	195,585	(15,100)	195,585
Decrease/(increase) in debtors	7,938,392	(12,716,803)	136,738	31,241
(Decrease)/increase in creditors	(572,559)	577,746	1,176	(24,321)
Cash flow used in operating activities	6,801,157	(11,679,868)	(733)	(176,541)

(B) CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Cash at bank and in hand	2,214,477	1,162,765	569	1,302

19 RELATED PARTIES

The Directors consider that as of 31 December 2009 the Company does not have an ultimate parent undertaking or controlling party.

During the year the Group was charged a license fee of €256,358 (2008: €275,555) by MC Global Limited, and the Group paid MC Global Limited €258,786 (2008: €282,301), resulting in a net amount owed by MC Global Limited of €26,459 (2008: €24,031) 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.

Further related party transactions are summarised below:

Transactions	2009	2008
	€	(restated) €
Marketing services received ¹⁾	287,783	172,509
IT and Consultancy services received ²⁾	47,592	58,435
Marketing services paid ¹⁾	265,090	152,993
IT and Consultancy services paid ²⁾	46,885	65,784

Notes to the consolidated financial statements (continued)

19 RELATED PARTIES (continued)

Balances	2009	2008
	€	€
Payables for Marketing services ¹⁾	46,294	23,601
Payables for IT and Consultancy services ²⁾	1,946	1,239

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

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

An adjustment has been made to the comparative figures. "Marketing services paid" have increased by €4,085 and "IT and Consultancy services paid" have increased by €8,588.

Transactions with key management personnel	2009	2008
	€	€
Loan given to Member of Management	–	12,600
Interest from loans given to Member of Management	1,070	848

Balances with key management personnel	2009	2008
	€	€
Receivable from Member of Management	14,519	13,448

Transactions and balances related to a loan given to a member of key management have been added to the note for the current and prior year to reflect correct disclosure requirements not shown in the prior year financial statements. The loan is unsecured and bears annual interest of 8% and is repayable on 31 March 2010.

20 FINANCIAL INSTRUMENTS

The risks faced by the Company are faced through its investments in subsidiaries.

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 2009 had been 3% higher or lower, and all other variables were held constant, then the Group's profit for the year ended 31 December 2009 would have decreased or increased by €313,712. The maximum exposure to credit risk is disclosed in note 12 and note 18(B).

Notes to the consolidated financial statements (continued)**20 FINANCIAL INSTRUMENTS (continued)****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. The group's exposure to foreign exchange risk is not considered material.

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 2009 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, and there is therefore no risk on borrowings as a result of the fixed interest rate.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2008. The capital structure of the Group consists of net debt (borrowings as detailed in notes 15 and 16, offset by cash and bank balances as detailed in note 18(b)) and equity of the Group (comprising issued capital, reserves, retained earnings as detailed in note 13). The Group is not subject to any externally imposed capital requirements.

SHAREHOLDER INFORMATION

MCB Finance Group Plc

65 Duke Street
London W1K 5NT

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

ADVISERS

Nominated Adviser

Fox-Pitt, Kelton Limited
CityPoint, 1 Ropemaker Street
London EC2Y 9HD

Auditors

Mazars LLP
Tower Bridge House
St Katharine's Way
London E1W 1DD

Legal

Pinsent Masons
CityPoint, 1 Ropemaker Street
London EC2Y 9AH

Public Relations

Allerton Communications
106 Weston Street
London SE1 3QB