

**MCB Finance Group Plc**  
**Annual Report and Accounts**  
**For the year ended 31 December 2010**

**Company No. 06032184**

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## THE YEAR IN REVIEW

### Final results for the 12 months ended 31 December 2010

#### Introduction

MCB Finance Group plc (AIM: MCRB.L) ("MCB", the "Group" or the "Company"), 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 2010.

#### Operational and financial highlights

- Pre-tax profit of €0.58 million (2009 pre-tax loss: -€0.63m).
- Return to lending volume growth in the second half of the year.
- Credit quality stronger than at any time since the Company's inception. 2010 impairment down to 24% of revenue (2009: 50%).
- Strong initial results from re-launch of Latvian lending operations.
- Credit facility extended to March 2012 and increased to €12m.
- Strengthened organisation, credit and collection processes provide a solid base for continued growth and profitability improvement.

#### 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.

#### GROUP REVIEW

After the economic turbulence of 2009 we are pleased to have seen a return to stability and growth in both our markets and the Group's business during 2010. Loan principal extended to customers in the second half of the year (€19.8m) rose considerably on 1H (€16.2m), reflecting a return to growth after a period during which we were focused on strengthening our credit, collection and operational capabilities.

The Group returned to profitability for the year, supported by a strong second half as the changes implemented to the business since 2009 began to bear fruit. We expect to see continued improvements in the Group's financial results going forward.

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## THE YEAR IN REVIEW (continued)

### Economic environment

Economic conditions in all four markets in which the Group operates have improved since the end of 2009. Both Finland and Estonia returned to modest GDP growth during the year while Latvia and Lithuania were stable. At the end of the year unemployment remained high throughout the Baltics at between 13% and 17%. In Finland it was 7.4%. Employment levels in all markets have begun to improve from previous levels. Other positive developments during the year include the admission of Estonia to the Eurozone and a return to fiscal stability in Latvia. Expectations are that growth will continue and accelerate during 2011.

### Lending volumes

The Group extended a total of €36.0m in loan principal during the year, down from €40.4m in 2009. €16.2m of principal was lent in the first half (2009: €24.3m) and €19.8m was advanced in the second half (2009: €16.1m), a 22% increase over the first half of the year. The growth in the second half was a result of more active marketing and seasonally strong demand, and is expected to support revenue going forward.

Finland accounted for approximately 59% of lending volumes, followed by Lithuania and Estonia. In Latvia the focus remained on collection until the second half, when we re-launched lending activities in this market following the cessation in response to the credit crisis in early 2009. Initial results following the re-launch in Latvia are encouraging.

### Credit quality

Further improvements were achieved in the Group's credit quality during the period, which is today stronger than at any time since inception, despite continued weak economic conditions and high unemployment levels. We believe this is a strong endorsement of the comprehensive improvements implemented to our credit models and processes, started in mid-2009 in response to external economic conditions.

Full-year impairment as a percentage of revenue was 24% in 2010, down from 50% in 2009. Impairment in the second half of 2010 was 19%. Going forward we expect impairment from our current lending activities to be slightly above 20% as a percentage of revenue.

Financial performance also benefited from write-backs of receivables previously written off, reflecting continued strong collection performance. Collection of aged receivables improved further vs. 2009 as a result of our continued focus on internal processes and close cooperation with local collection partners.

We have maintained strict credit criteria throughout the year in all markets. Our credit criteria are continually reviewed based on analysis of lending and repayment data. Default rates are currently at or below target levels. Going forward we may wish to take on slightly more risk as economic conditions improve, focusing on maximising volume within targeted credit performance levels.

### Other developments

We continued to improve our product offering and websites throughout the year. We extended the range and terms of products offered to customers, and MCB Finance today has among the most comprehensive and flexible product selections in the short-term lending market.

The Company's brand, Credit24, remains one of the most recognised in our markets based on a visible media presence, broad product selection, competitive loan offerings, excellent customer service, and an overall reputation as a transparent and trustworthy provider of financial services.

**THE YEAR IN REVIEW (continued)**

The Group's lending activities are focused on its Credit24 branded websites in Finland, Estonia, Latvia and Lithuania. In 2009 we established a partnership with Maxima, the largest retailer in the Baltic states, where we offer a face-to-face application service for customers in Lithuania. This partnership has been successful, and as announced on 9 February 2011 we recently expanded it to Estonia and Latvia so that loans are now available at Maxima's 57 largest stores in Lithuania, 19 stores in Latvia and seven in Estonia. We will consider further partnerships in other markets in due course.

Financial performance

Revenue for the 12 months ended 31 December 2010 totalled €11.78m (2009: €15.67m). The year-on-year reduction is primarily due to the carry-over impact of lending made in periods prior to 2009, which resulted in higher revenue recognition during 1H 2009 vs. 1H 2010.

Revenue grew to €6.19m in 2H 2010 from €5.59m in 1H 2010 on the back of higher lending volumes during 2H 2010. We expect the increase in lending volumes started 2H 2010 to support higher revenue going forward.

Impairment totalled €2.81m for the period, or 24% of revenue, down from €7.76m or 50% of revenue during 2009. This improvement reflects the strengths of the Company's credit extension, monitoring and collection processes. Impairment was 19% of revenue in the second half of the year, down from 29% in the first half. At these levels impairment from current lending activities are at the low end of the Group's targets, and we do not expect them to improve further going forward.

Direct operating expenses are costs which are directly related to the Group's lending operations, including loan processing, monitoring and collections. These were €2.17m in 2010 (2009: €2.06m). Administrative expenses include overhead, marketing and other expenses related to the Group's business. Proforma administrative expenses were €5.50m (2009: €5.16m). Net finance costs were €0.73m (2009: €1.32m).

The proforma pre-tax profit for the period was €0.58m (2009 pre-tax loss: -€0.63m), which is in line with expectations. Proforma net profit for the period was €0.23m (2009 net loss: -€1.06m). The proforma figures above exclude non-cash reserves arising on employee share options. These totalled €43,144 during 2010.

All markets save Latvia contributed positively to Group results. Pre-tax profit of MCB's Finnish country operations was €1.97m (2009: €1.61m), Estonia €0.51m (2009: €0.20m), Latvia -€0.42m (2009: -€0.87m), Lithuania €0.71m (2009: €0.66m). Central costs, which include Group management, financial and credit control, and systems development and maintenance, among others, were -€2.19m (2009: -€2.23m).

The Company significantly improved the profitability of its lending operations compared to earlier periods. Net revenue (defined as revenue less impairment) as a percentage of average net customer loan receivables outstanding was 80% in 2010, up from 45% in 2009, primarily as a result of lower impairment but also improvements to the Company's lending margins. Average net customer loan receivables in 2010 were €11.17m compared to €17.45m in 2009.

We are pleased at having been able to achieve higher profitability at the same time as reducing the Group's capital requirements. This represents an important improvement to the efficiency of our business model which we believe will benefit the Group going forward.

**THE YEAR IN REVIEW (continued)**

**Summary financials**

<i>(€ thousands)</i>	2010	2009	2008	2H 2010	1H 2010	2H 2009	1H 2009
Principal lent	36,045	40,424	56,606	19,801	16,244	16,143	24,281
<b>Revenue</b>	<b>11,783</b>	<b>15,668</b>	<b>13,055</b>	<b>6,194</b>	<b>5,589</b>	<b>6,752</b>	<b>8,916</b>
Impairment	-2,805	-7,764	-4,031	-1,171	-1,634	-2,526	-5,238
Direct operating expenses	-2,173	-2,060	-2,046	-1,162	-1,011	-904	-1,156
Proforma Administrative expenses	-5,503	-5,156	-5,507	-3,028	-2,475	-2,212	-2,944
Net interest expenses	-725	-1,322	-984	-330	-395	-554	-768
<b>Proforma EBT (loss)</b>	<b>577</b>	<b>-634</b>	<b>486</b>	<b>503</b>	<b>74</b>	<b>556</b>	<b>-1190</b>
Proforma net income (loss)	234	-1,056	404	286	-135	366	-1,422
Net customer loan receivables <sup>1</sup>	12,052	12,811	20,385	12,052	10,634	12,811	17,617
Average net customer receivables	11,165	17,450	14,997	10,842	11,487	14,467	20,434
Borrowings	5,200	6,460	12,050	5,200	4,700	6,460	10,730
Total equity	7,700	7,467	8,522	7,700	7,332	7,467	7,101
<u>Key metrics:</u>							
Revenue as % of avg. net receivables <sup>2</sup>	106%	90%	87%	114%	97%	93%	87%
Net revenue as % of net receivables <sup>3</sup>	80%	45%	60%	93%	69%	58%	36%
Impairment as % of revenue	24%	50%	31%	19%	29%	37%	59%
Debt / equity	68%	87%	141%	68%	64%	87%	151%
Debt / receivables	43%	50%	59%	43%	44%	50%	61%

(1) Amounts receivable from customers, net of impairment

(2) Annualised

(3) Revenue less impairment as % of avg. loan receivables. Annualised

Taxation

The Company incurred a €0.34m tax liability for the year, primarily from its profitable Finnish and Lithuanian operations. The average Group tax rate for 2010 is high as a percentage of pre-tax income due to the non-deductibility of certain Group costs for tax purposes. We expect the Group tax rate to be reduced significantly going forward as the business grows.

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**THE YEAR IN REVIEW (continued)**Balance sheet

At the end of the period net customer loan receivables totalled €12.05m (net of impairment), stable from the end of 2010 (€12.81m), however up from the €10.63m at the end of 1H 2010 as a result of higher lending volumes during the second half. Average net customer loan receivables in 2010 were €11.17m (2009: €17.45m). The relatively low receivables balance compared the volumes of lending during the year (€36.05m) reflect the Group's focus on relatively short-maturity loans, which allows the Company to re-deploy capital and generate high returns on capital deployed to lending operations.

At the end of the year MCB had €5.20m of debt outstanding (2009: €6.46m), which gives the Company significant headroom under its €12m credit facility. Cash at year-end was €1.95m which, together with amounts drawable under the credit facility put the Company in a strong liquidity position. The Company's debt to equity ratio was 68% at the end of the year, a further improvement compared to 87% at the end of 2009.

Financing

The Company has completed with Rietumu Bank the yearly extension of its revolving credit facility to the end of March 2012. The facility was previously scheduled to mature in March 2011. The size of the facility was revised up to €12 million, from €10m, in line with the Company's expected requirements going forward. The interest on amounts drawn will remain at 13% per annum.

In connection with the renewal of the credit facility, MCB extended by one year the option granted to Rietumu in March 2010 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 now expire 31 March 2012. In the event the option is exercised Rietumu will have the obligation to extend the credit facility for a further year to March 2013.

The Group's relationship with Rietumu bank has stood the test of time despite very difficult market conditions. The Company has always traded well within its debt covenants, which is a testament to the strength of MCB's business model and our conservative approach to the management of the Group's financial resources.

Regulation and legislation

The implementation of the EU Credit Directive resulted in changes to the regulatory environment in some of our countries. These changes had very limited impact on the business. Finland introduced more stringent requirements for new customer identification. Our Finnish business was ready to meet these standards and we welcomed the harmonisation in the market brought by the introduction of the new rules.

In Lithuania new legislation will become effective on 1 April 2011 which will limit to 250% the annual percentage rate allowed on loans to consumers, under certain circumstances. While APR is an inappropriate metric from which to benchmark short-term loans, we do not expect the introduction of this requirement to have a material impact on our Lithuanian operations as most of our lending in this market already meets the criteria. It is expected that during 2011 Latvia will introduce a registration requirement for non-bank lenders similar to that in place in Finland, Estonia and Lithuania, as well as a minimum capital requirement. We expect our Latvian subsidiary to easily meet these requirements.

We maintain an active dialogue with regulators and other stakeholders in each market to support the development of an appropriate regulatory framework for our segment of the consumer lending industry.

## **THE YEAR IN REVIEW (continued)**

### New markets

The Company was designed with centralised functions for Group management, financial and credit control and systems development, among other. This central organisation is a key component of the Company's business model. It allows us to run very cost-effective local operations, thus maximising Group flexibility and the profitability of individual market operations. It also allows us to minimise risk by limiting the fixed cost requirement of any new market entry.

Our long-standing aim has been to expand MCB's business into additional markets beyond the current four. With the credit crisis substantially behind us we have revived this initiative, with a goal to enter one additional market during 2011. We are currently evaluating a number of countries based on a range of criteria.

Despite our focus on improving credit quality we saw improved market share performance for the Group in 2010, and generated positive profit before tax contribution from three of our four markets. We believe, given our business model, that additional markets have the potential to contribute meaningfully to Group profitability going forward.

### Outlook

The Group's improving results reflects its strong market position, robust organisation and attractive business model. The higher lending volumes achieved since the beginning of second half of 2010 will translate into higher revenues in 2011, with limited change in fixed costs, resulting in stronger profitability. We expect the growth begun in the second half of 2010 to be sustained going forward. We aim to continue to introduce product and service improvements as we regularly fine-tune the business in our current markets, at the same time as exploring opportunities to enter new markets. We expect the Group to continue to deliver improved profitability going forward.

## **REVIEW OF COUNTRY OPERATIONS**

MCB Finance Group is currently active in Finland, Estonia, Latvia and Lithuania. Together the Group's operations in these markets contributed €2.76m in pre-tax profits in 2010, excluding Group central costs, an increase from €1.60m in 2009.

MCB's central organisation, based in Tallinn and Helsinki, comprises its senior management, credit and financial control, technology development and other Group functions. Total costs for the central organisation were €2.19m in 2010 which is stable in comparison to the previous year (2009: €2.23m). Central costs are relatively fixed and are not expected to change significantly as we achieve growth in lending volumes or expand into new markets.

**THE YEAR IN REVIEW (continued)**

**Profit before tax**

<i>(€ thousands)</i>	2010	2009	change
Finland	1,966	1,606	22%
Estonia	507	198	156%
Latvia	-421	-868	n/a
Lithuania	711	664	7%
Total established markets	<b>2,763</b>	<b>1,600</b>	73%
Central costs	-2,186	-2,234	-2%
<b>Group profit (loss) before tax</b>	<b>577</b>	<b>-634</b>	n/a

Of particular note is that all countries with the exception of Latvia remained profitable throughout the crisis in 2009, a testament to the strength of a business model based on relatively short-term maturity lending, high margins and low operational costs. The loss in Latvia reflects high levels of write-offs during 2009, and the costs of maintaining a focus on collections during 2010.

Lending volumes remained stable between 2H 2009 and 1H 2010, reflecting the Company's strong focus on credit quality since the onset of the credit crisis in the Baltics in early 2009. Of the €36.05m in principal lent during 2010, 59% was lent in Finland, up from 51% in 2009. This primarily reflects the reduction in lending in the Baltics compared to 1H 2009. Lending volumes in all countries grew in the second half of 2010, a trend we expect to continue going forward. The Group also re-started more active lending in Latvia during 2H 2010 and we expect to increase this going forward.

**Loan principal issued**

<i>(€ thousands)</i>	2010	2009	2H 2010	1H 2010	2H 2009	1H 2009
Finland	21,319	20,768	11,656	9,662	9,622	11,145
Estonia	5,548	7,086	2,972	2,576	2,685	4,401
Lithuania	8,652	9,957	4,786	3,866	3,727	6,230
Latvia	527	2,614	387	139	109	2,505
<b>Group</b>	<b>36,045</b>	<b>40,424</b>	<b>19,801</b>	<b>16,244</b>	<b>16,143</b>	<b>24,281</b>

**Finland**

Performance in Finland continued to improve in comparison to 2009. This market was less impacted by the credit crisis in 2009 compared to other markets, and the Company was therefore able to maintain more stable lending volumes in 2009 and 2010. Lending growth was strong in the second half of 2010. Finland is the Group's largest market, representing 59% of principal lent during 2010.

Country EBT improved to €1.97m in 2010, up from €1.61m in 2009, primarily as a result of lower provisions which were 22% of revenue in 2010, down from 33% in 2009. Direct and administrative costs rose by 21% partly as a result of higher marketing spend in the second half which is expected to support lending volumes and revenue going forward.

**THE YEAR IN REVIEW (continued)**

**Finland**

<i>(€ thousands)</i>	2010	2009	change
Loan principal issued	21,319	20,768	3%
Net customer loan receivables	6,286	6,145	2%
Revenue	5,503	5,541	-1%
Impairment	-1,206	-1,844	-35%
as % of revenue	21,9%	33,3%	
Direct and admin costs	-2,008	-1,666	21%
Finance costs	-323	-425	-24%
<b>Profit before tax</b>	<b>1,966</b>	<b>1,606</b>	22%
as % of revenue	35.7%	29.0%	

Credit24 is one of the leading non-standard lenders in the Finnish market. The competitive environment remains robust. However, MCB is well positioned with a strong and positive marketing message, one of the widest product offerings in the market and excellent customer service. We expect continued positive development in the Finnish market during 2011.

**Estonia**

Estonia's full year lending volumes were lower in 2010 compared to 2009, reflecting the significant reduction between 1H 2009 and 1H 2010. Lending volumes have been stable since 2H 2009, and resumed growth in 2H 2010.

Country EBT improved to €0.51m in 2010 from €0.20m in 2009, primarily due to a reduction in impairment to 20% of revenue, from 49% in 2009. Direct and administrative costs remained stable.

**Estonia**

<i>(€ thousands)</i>	2010	2009	change
Loan principal issued	5,548	7,086	-22%
Net customer loan receivables	1,884	2,098	-10%
Revenue	2,336	3,203	-27%
Impairment	-470	-1,557	-70%
as % of revenue	20,1%	48,6%	
Direct and admin costs	-1,241	-1,221	2%
Finance costs	-118	-228	-48%
<b>Profit before tax</b>	<b>507</b>	<b>198</b>	156%
as % of revenue	21.7%	6.2%	

In Estonia, Credit24 is one of two largest participants in a competitive market. We benefited from a widening of our product offering during the year, which has attracted a broader range of customers. We expect to see some continued growth in this market, though this is likely to be moderate due to MCB's already meaningful presence and the country's relatively small size.

**THE YEAR IN REVIEW (continued)**

**Latvia**

Latvia was the most severely impacted of our four markets during the crisis early 2009 and we remained focused on collection for most of 2010. In the second half of 2010 we decided to resume lending activities in Latvia, supported by upgraded credit processes. Initial results following the re-launch in Latvia are encouraging both in terms of lending volumes and credit performance.

Through our collection activities we have been able to recover amounts in excess of the loan principal outstanding at the beginning of the credit crisis, resulting in a return of capital if not revenue. We believe this result, despite historically unprecedented market conditions, underlines the resilience of the Company's business model and the strength of our customer care and collections activities.

Revenue recognised in Latvia during 2010 is primarily from longer-maturity lending made in prior periods and does not reflect the performance of the recently re-launched business.

**Latvia**

<i>(€ thousands)</i>	2010	2009	change
Loan principal issued	527	2,614	-80%
Net customer loan receivables	268	1,435	-81%
Revenue	569	2,868	-80%
Impairment	-436	-2,710	-84%
as % of revenue	76,5%	94,5%	
Direct and admin costs	-498	-703	-29%
Finance costs	-57	-323	-82%
<b>Loss before tax</b>	<b>-421</b>	<b>-868</b>	<b>-52%</b>
as % of revenue	<b>-74.0%</b>	<b>-30.3%</b>	

The Latvian economy appeared progressively more stable in 2010, a testament to the fiscal austerity measures undertaken since early 2009 which have improved the country's economic position and growth prospects. While we continue to exercise a very cautious approach in Latvia, initial results are promising and we expect further growth.

**Lithuania**

In Lithuania full-year lending volumes were lower in 2010 compared to 2009, reflecting the significant reduction between 1H 2009 and 1H 2010. Lending volumes have remained stable since 2H 2009, and grew sharply in the second half of 2010.

EBT improved to €0.71m in 2010, from €0.66m in 2009, driven by a significantly reduced impairment to 21% of revenue, down from 41% in 2009. Direct and administrative costs grew as a result of increased marketing in line with lending volume growth in the second half, and other costs. The increased marketing activities in 2010 will benefit lending volumes and revenues going forward.

A small but growing proportion of our lending in this market was generated through our Maxima retail partnership, from those customers preferring a personal touch or lacking an internet connection. This is a very positive relationship which, as announced, we have expanded to other Baltic markets.

**THE YEAR IN REVIEW (continued)**

**Lithuania**

(€ thousands)

	2010	2009	change
Loan principal issued	8,652	9,957	-13%
Net customer loan receivables	3,614	3,133	15%
Revenue	3,375	4,056	-17%
Impairment	-694	-1,653	-58%
as % of revenue	20,6%	40,7%	
Direct and admin costs	-1,743	-1,394	25%
Finance costs	-227	-346	-34%
<b>Profit before tax</b>	<b>711</b>	<b>664</b>	7%
as % of revenue	21.1%	16.4%	

Credit24 has a strong position in the Lithuanian market and we expect continued growth going forward. Lithuania is the largest of the three Baltic markets and we believe there is capacity for further expansion.

Rami Ryhänen  
Chief Executive Officer

5 May 2011

## BOARD OF DIRECTORS

### Executive Directors

#### 1. Rami Ryhänen

Chief Executive Officer (Age 43)

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 39)

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. Dr Anton Mayr

Non-Executive Chairman (Age 48)

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.

#### 4. Philippe Duleyrie

Non-Executive Director (Age 53)

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 2010

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

#### 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 2010, together with likely future developments, is contained in the Year in Review on pages 2 to 11.

#### Results and dividends

The profit for the year ended 31 December 2010 attributable to shareholders was €190,546 (2009: loss of €1,040,604), as set out in the consolidated statement of comprehensive income on page 19. 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 page 12. Bertil Rydevik and Richard Parkinson both resigned on 11 May 2010. The Directors had corporate directors and management liability insurance in place throughout the year.

#### 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			
	2010		2009	
	Number	%	Number	%
Rami Ryhänen	178,664	1.0	127,684	0.7 (a)
Henry Nilert	1,211,952	7.0	611,952	3.5 (b)
Philippe Duleyrie	444,211	2.6	419,211	2.4

(a) Held through Solotel Oy

(b) 653,333 shares held directly (2009: 53,000), and the remaining shares held through Birch Holding Limited

#### Directors' emoluments

The current directors received the following emoluments and held the following number of options over the ordinary shares of the company:

	Salary / Fees	Benefits	Share incentive plans		
	€	€	Options held at 31 December 2010	Options granted during 2010	Exercise price
Rami Ryhänen	128,786	11,214	392,000	–	41p – 50p
Henry Nilert	140,000		457,362	–	41p – 50p
Anton Mayr	43,875		45,000	–	150p
Philippe Duleyrie	15,000		45,000	–	171p
	327,661	11,214	939,362	–	

**DIRECTORS' REPORT (continued)**

**For the year ended 31 December 2010**

**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 18 to the financial statements on pages 46 and 47.

**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 2010 the average creditor days were 21 (2009: 9).

**Capital Management**

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 18 to the financial statements.

**Principal risks and uncertainties**

The Company's approach and response to risks and uncertainties is set out in the Year in Review and in Note 18 to the financial statements.

**Significant shareholdings**

The significant shareholdings as at 31 December 2010 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%
Orient Equity Partners	1,478,764	8.50%
Henry Nilert *	1,211,952	6.97%
Europanel AB	740,000	4.25%
P. Lorange	656,521	3.77%
Hansa Eastern European Equity Fund	533,333	3.07%

\* 653,333 shares held directly (2009: 53,000), and the remaining shares held through Birch Holding Limited

**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.

**DIRECTORS' REPORT (continued)**

**For the year ended 31 December 2010**

**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.

**Annual General Meeting**

The Annual General Meeting will be held on the 31<sup>st</sup> of May 2011.

By Order of the Board

Henry Nilert  
**Company Secretary**  
101 Wigmore Street  
London  
W1U 1QU

5 May 2011

## **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 17 and 18, 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.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MCB FINANCE GROUP PLC**

**For the year ended 31 December 2010**

We have audited the financial statements of MCB Finance Group Plc for the 31 December 2010 which comprise the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement 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 Statement of Directors' Responsibilities set out on page 16, 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 Part 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/private](http://www.frc.org.uk/apb/scope/private).

**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 2010 and of the group's profit 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 the 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MCB FINANCE GROUP PLC  
(continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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

5 May 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2010

	Note	2010 €	2009 €
<b>Revenue</b>	3	<b>11,782,697</b>	15,667,855
Impairment		<b>(2,804,762)</b>	(7,764,214)
Direct operating expenses		<b>(2,172,928)</b>	(2,059,895)
Administrative expenses		<b>(5,546,459)</b>	(5,140,952)
<b>Operating profit</b>		<b>1,258,548</b>	702,794
Interest receivable		<b>2,270</b>	3,676
Interest payable		<b>(727,001)</b>	(1,325,371)
<b>Profit/(loss) before tax</b>	4	<b>533,817</b>	(618,901)
Taxation	6	<b>(343,271)</b>	(421,703)
<b>Profit/(loss) for the year from continuing operations</b>		<b>190,546</b>	(1,040,604)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>190,546</b>	(1,040,604)
<b>Other comprehensive income</b>		–	–
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT</b>		<b>190,546</b>	(1,040,604)
<b>Proforma Profit/(loss) calculation</b>			
Profit/(loss) before tax		<b>533,817</b>	(618,901)
Cost of employee share options		<b>43,144</b>	(15,100)
<b>Proforma profit/(loss) before taxation</b>		<b>576,961</b>	(634,001)
Taxation		<b>(343,271)</b>	(421,703)
<b>Proforma profit/(loss) after taxation</b>		<b>233,690</b>	(1,055,704)
		2010 €	2009 €
Basic earnings/(loss) per share	7	<b>0.0110</b>	(0.0598)
Diluted earnings/(loss) per share	7	<b>0.0110</b>	(0.0598)

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 income statement has not been included in these financial statements. The Company's loss for the year and total comprehensive loss for the year attributable to equity shareholders was €198,872 (2009: loss €123,546).

The accompanying notes on pages 25 to 47 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2010**

	Note	€	2010 €	€	2009 €
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill	8	737,723		737,723	
Intangible assets	8	73,444		21,145	
Property, plant and equipment	9	33,124		53,822	
Deferred tax asset	6	82,291		–	
Trade and other receivables	11	<u>391,574</u>		<u>15,660</u>	
<b>Total non-current assets</b>			<b>1,318,156</b>		828,350
<b>Current assets</b>					
Trade and other receivables	11	11,876,009		12,964,584	
Cash and cash equivalents	16	<u>1,949,878</u>		<u>2,214,477</u>	
<b>Total current assets</b>			<b>13,825,887</b>		15,179,061
<b>Total assets</b>			<b><u>15,144,043</u></b>		<u>16,007,411</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Issued share capital	12	2,542,460		2,542,460	
Share premium account		8,453,870		8,453,870	
Other reserves		556,428		513,284	
Retained earnings		<u>(3,852,264)</u>		<u>(4,042,810)</u>	
<b>Total equity</b>			<b>7,700,494</b>		7,466,804
<b>Current liabilities</b>					
Trade and other payables	13	973,086		733,122	
Current income tax liabilities		210,108		367,493	
Deferred revenue		1,060,355		979,992	
Short-term borrowings	14	<u>5,200,000</u>		<u>6,460,000</u>	
<b>Total current liabilities</b>			<b>7,443,549</b>		8,540,607
<b>Total equity and liabilities</b>			<b><u>15,144,043</u></b>		<u>16,007,411</u>

The financial statements on pages 19 to 47 were approved by the Board of Directors and authorised for issue on 5 May 2011 and were signed on its behalf by:

A Mayr  
Chairman

H Nilert  
Chief Financial Officer

Company No. 06032184

The accompanying notes on pages 25 to 47 form an integral part of these financial statements.

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2010**

	Note	€	2010 €	€	2009 €
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investments in subsidiaries	10	9,794,746		9,794,746	
<b>Total non-current assets</b>			<b>9,794,746</b>		9,794,746
<b>Current assets</b>					
Trade and other receivables	11	709,396		801,677	
Cash and cash equivalents	16	421		569	
<b>Total current assets</b>			<b>709,817</b>		802,246
<b>Total assets</b>			<b>10,504,563</b>		<b>10,596,992</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Issued share capital	12	2,542,460		2,542,460	
Share premium account		8,453,870		8,453,870	
Other reserves		556,428		513,284	
Retained earnings		(1,152,024)		(953,152)	
<b>Total equity</b>			<b>10,400,734</b>		10,556,462
<b>Current liabilities</b>					
Trade and other payables	13	103,829		40,530	
<b>Total current liabilities</b>			<b>103,829</b>		40,530
<b>Total equity and liabilities</b>			<b>10,504,563</b>		<b>10,596,992</b>

The financial statements on pages 19 to 47 were approved by the Board of Directors and authorised for issue on 5 May 2011 and were signed on its behalf by:

A Mayr  
Chairman

H Nilert  
Chief Financial Officer

Company No. 06032184

The accompanying notes on pages 25 to 47 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2010

	Note	Group		Company	
		2010 €	2009 €	2010 €	2009 €
<b>Cash flow from /(used in) operating activities</b>					
Cash generated from operations	16	<b>1,768,553</b>	6,801,157	<b>(148)</b>	(733)
Income tax paid		<b>(684,398)</b>	(136,439)	–	–
<b>Net cash generated from / (used in) operating activities</b>		<b>1,084,155</b>	6,664,718	<b>(148)</b>	(733)
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment		<b>(15,333)</b>	(18,599)	–	–
Purchase of intangible assets		<b>(73,421)</b>	(4,407)	–	–
<b>Net cash used in investing activities</b>		<b>(88,754)</b>	(23,006)	–	–
<b>Cash flow from financing activities</b>					
Net decrease in borrowing		<b>(1,260,000)</b>	(5,590,000)	–	–
<b>Net cash used in financing activities</b>		<b>(1,260,000)</b>	(5,590,000)	–	–
<b>(Decrease)/increase in cash and cash equivalents</b>	16	<b>(264,599)</b>	1,051,712	<b>(148)</b>	(733)
Cash and cash equivalents at 1 January	16	<b>2,214,477</b>	1,162,765	<b>569</b>	1,302
Cash and cash equivalents at 31 December	16	<b>1,949,878</b>	2,214,477	<b>421</b>	569

The accompanying notes on pages 25 to 47 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
As at 31 December 2010

	Attributable to the owners of the parent company				
	Share capital	Share premium	Other reserves	Retained earnings	Total
	€	€	€	€	€
<b>Balance at 1 January 2009</b>	<b>2,542,460</b>	<b>8,453,870</b>	<b>528,384</b>	<b>(3,002,206)</b>	<b>8,522,508</b>
<b>Comprehensive income</b>					
Loss for the financial period	–	–	–	(1,040,604)	(1,040,604)
<b>Other comprehensive income</b>					
Arising on employee share options	–	–	(15,100)	–	(15,100)
<b>Balance at 1 January 2010</b>	<b>2,542,460</b>	<b>8,453,870</b>	<b>513,284</b>	<b>(4,042,810)</b>	<b>7,466,804</b>
<b>Comprehensive income</b>					
Profit for the financial period	–	–	–	190,546	190,546
<b>Other comprehensive income</b>					
Arising on employee share options	–	–	43,144	–	43,144
<b>Balance at 31 December 2010</b>	<b>2,542,460</b>	<b>8,453,870</b>	<b>556,428</b>	<b>(3,852,264)</b>	<b>7,700,494</b>

The accompanying notes on pages 25 to 47 form an integral part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
As at 31 December 2010

	Attributable to the equity holders of the parent company				
	Share capital	Share premium	Other reserves	Retained earnings	Total
	€	€	€	€	€
<b>Balance at 1 January 2009</b>	<b>2,542,460</b>	<b>8,453,870</b>	<b>528,384</b>	<b>(829,606)</b>	<b>10,695,108</b>
<b>Comprehensive income</b>					
Loss for the financial period	–	–	–	(123,546)	(123,546)
<b>Other comprehensive income</b>					
Arising on employee share options	–	–	(15,100)	–	(15,100)
<b>Balance at 1 January 2010</b>	<b>2,542,460</b>	<b>8,453,870</b>	<b>513,284</b>	<b>(953,152)</b>	<b>10,556,462</b>
<b>Comprehensive income</b>					
Loss for the financial period	–	–	–	(198,872)	(198,872)
<b>Other comprehensive income</b>					
Arising on employee share options	–	–	43,144	–	43,144
<b>Balance at 31 December 2010</b>	<b>2,542,460</b>	<b>8,453,870</b>	<b>556,428</b>	<b>(1,152,024)</b>	<b>10,400,734</b>

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 12 (B).

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

The accompanying notes on pages 25 to 47 form an integral part of these financial statements.

**Notes to the consolidated financial statements**

**1 ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010**

**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 is registered and domiciled in England and Wales. The address of its registered office is 101 Wigmore Street, London, W1U 1QU.

**Basis of preparation**

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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management, to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

**Going Concern**

As a result of the increased focus on working capital and tighter credit controls, the group has improved both its short-term and medium-term liquidity position. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current financing.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

**New and amended standards and interpretations**

*(a) New and amended standards and interpretations adopted by the group*

IAS 1 (amendment) 'Presentation of financial statements'  
IAS 27 (revised) 'Consolidated and Separate Financial Statements'

*(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant*

IFRIC 17 'Distribution of non-cash assets to owners'  
IFRIC 18 'Transfers of assets from customers'  
IFRIC 9 'Reassessment of embedded derivatives'  
IFRS 3 (revised) 'Business Combinations'  
IAS 38 (amendment) 'Intangible assets'  
IAS 39 'Financial instruments: recognition and measurement'  
IFRIC 16 'Hedges of a net investment in a foreign operation'  
IFRS 2 (amendments) 'Group cash-settled share-based payment transactions'  
IAS 36 (amendment) 'Impairment of assets'  
IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations'

**Notes to the consolidated financial statements (continued)**

**1 ACCOUNTING POLICIES (continued)**

The above revised standards have not had any impact on the company's financial statements in the current year. The company will apply the above standards prospectively to all future transactions and events.

*(c) New standards, amendments and interpretations issued but not yet effective for the financial year 1 January 2010 and not early adopted*

IFRS 9 'Financial instruments: classification and measurement' effective 1 January 2013

IAS 24 (revised) 'Related party disclosures' effective 1 January 2011

IAS 12 (amendment) 'Income taxes – recovery of underlying assets' effective 1 January 2012

IAS 32 (amendment) 'Classification of rights issues' effective 1 February 2010

IFRS 19 'Extinguishing financial liabilities with equity instruments' effective 1 July 2010

IFRIC 14 (amendment) 'Prepayments of a minimum funding requirement' effective 1 January 2011

The above amendments and interpretations are not expected to have a material impact on the group or parent company's forthcoming financial statements.

*Improvements to IFRS (May 2010) - effective 1 July 2010/1 January 2011*

There have been various amendments made to existing standards and interpretations as a result of the May 2010 improvements to IFRSs, which provide clarifications to existing requirements. Amendments have been made to the following standards:

IFRS 3 'Business Combinations' - transition requirements for contingent consideration; measurement of non-controlling interest; and un-replaced and voluntary replaced share-based payment awards.

IFRS 7 'Financial Instruments' - increased emphasis on the interaction between qualitative and quantitative disclosures.

IAS 1 'Presentation of Financial Statements' - clarification of the presentation of the statement of changes in equity.

IAS 27 'Consolidated and Separate Financial Statements' - transition requirements for amendments made as a result of IAS 27 (revised).

IAS 34 'Interim Financial Reporting' - accounting for significant events and transactions.

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 statement of comprehensive income 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. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management team that makes strategic decisions.

**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 on a straight line basis. 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 statement of comprehensive income. Intangible assets have a finite estimated useful life and amortisation is included in both 'direct operating expenses' and 'administrative expenses' in the statement of comprehensive income.

**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 on a straight line basis. 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 statement of comprehensive income.

**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 arrangements, 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.

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**Notes to the consolidated financial statements (continued)****1 ACCOUNTING POLICIES (continued)****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 statement of comprehensive income 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.

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 statement of comprehensive income. 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.

**Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**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 statement of comprehensive income 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 statement of comprehensive income.

*(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.

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**Notes to the consolidated financial statements (continued)****1 ACCOUNTING POLICIES (continued)***(iii) Year end exchange rate*

The year end exchange rate was €1.1618/£1 (2009: €1.11130 / £1). The average exchange rate for the year was €1.1656/£1 (2009: €1.12297 / £1).

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loans to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

**Leases**

Rentals paid under operating leases are charged to the statement of comprehensive income over the term of the relevant lease. 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 statement of comprehensive income 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.

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.

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

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the profit or loss such that the cumulative expense reflect the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

**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, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in Note 12.

**Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy related to goodwill stated in note 1. The recoverable amount has been determined based on value in use calculations. These calculations require the use of estimates.

Notes to the consolidated financial statements (continued)

3 SEGMENTAL INFORMATION

All of the Group's revenue 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 reporting structures in use by the Group:

	<b>2010</b>				
	<b>Finland</b>	<b>Estonia</b>	<b>Lithuania</b>	<b>Latvia</b>	<b>Total</b>
<b>Loan principal issued</b>	<b>21,318,550</b>	<b>5,548,230</b>	<b>8,651,889</b>	<b>526,605</b>	<b>36,045,273</b>
<b>Net customer receivables</b>	<b>6,286,190</b>	<b>1,883,791</b>	<b>3,614,261</b>	<b>268,143</b>	<b>12,052,385</b>
<b>Revenue</b>	<b>5,502,584</b>	<b>2,336,195</b>	<b>3,374,755</b>	<b>569,163</b>	<b>11,782,697</b>
<b>Impairment</b>	<b>(1,205,931)</b>	<b>(469,747)</b>	<b>(693,575)</b>	<b>(435,510)</b>	<b>(2,804,762)</b>
as a % of revenue	22%	20%	21%	77%	24%
<b>Finance Costs</b>	<b>(323,054)</b>	<b>(118,149)</b>	<b>(226,794)</b>	<b>(56,759)</b>	<b>(724,757)</b>
<b>Segment measure of profit / (loss)</b>	<b>1,965,591</b>	<b>506,883</b>	<b>711,493</b>	<b>(421,035)</b>	<b>2,762,931</b>
as a % of revenue	36%	22%	21%	-74%	23%
<b>Central expenses</b>					<b>(2,185,970)</b>
<b>Proforma profit before tax</b>					<b>576,961</b>
<b>Cost of employee share options</b>					<b>43,144</b>
<b>Profit before tax</b>					<b>533,817</b>

Notes to the consolidated financial statements (continued)

3 SEGMENTAL INFORMATION (continued)

	2009				
	Finland	Estonia	Lithuania	Latvia	Total
<b>Loan principal issued</b>	20,767,779	7,085,969	9,956,555	2,613,799	40,424,102
<b>Net customer receivables</b>	6,145,010	2,098,443	3,132,566	1,435,186	12,811,205
<b>Revenue</b>	5,540,979	3,203,383	4,055,649	2,867,844	15,667,855
<b>Impairment</b>	(1,843,864)	(1,557,064)	(1,652,801)	(2,710,486)	(7,764,214)
as a % of revenue	33%	49%	41%	95%	50%
<b>Finance Costs</b>	(425,171)	(227,800)	(346,116)	(322,780)	(1,321,867)
<b>Segment measure of profit / (loss)</b>	1,605,951	198,278	663,865	(868,481)	1,599,613
as a % of revenue	29%	6%	16%	-30%	10%
<b>Central expenses</b>					(2,233,614)
<b>Proforma loss before tax</b>					(634,001)
<b>Cost of employee share options</b>					(15,100)
<b>Loss before tax</b>					(618,901)

The only significant assets and liabilities at subsidiary segmental level are net customer receivables. All revenues are derived from the company's principal activity of short term credit solutions. No one customer in the current or prior year accounted for more than 10% of revenue.

**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):

	<b>2010</b>	2009
	€	€
Staff costs (see Note 5)	<b>2,223,170</b>	2,192,205
Operating leases	<b>101,251</b>	102,079
Net foreign exchange gains	<b>(240)</b>	(233)
Auditors' remuneration:		
- Payable to the company's auditors	<b>31,037</b>	27,530
- Payable to the auditors of the company's subsidiaries	<b>52,393</b>	52,031
- Other services	<b>6,058</b>	19,055
Amortisation of intangible fixed assets (see Note 8)	<b>21,122</b>	20,268
Depreciation of property, plant and equipment (see Note 9)	<b>36,031</b>	45,300
	<hr/>	<hr/>

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

**5 DIRECTORS AND EMPLOYEES**

Staff costs including directors' emoluments:

	<b>2010</b>	2009
	€	€
Wages and salaries	<b>1,739,155</b>	1,775,346
Social security costs	<b>440,871</b>	431,959
Share based compensation	<b>43,144</b>	(15,100)
	<hr/>	<hr/>
	<b>2,223,170</b>	2,192,205

Included in the above are Directors' emoluments of 348,911 382,891

The highest paid director received emoluments of: €140,000 (2009: €134,000).

The average monthly number employed including executive directors:

	<b>2010</b>	2009
	€	€
Senior management	<b>2</b>	2
Support staff	<b>47</b>	48
	<hr/>	<hr/>
	<b>49</b>	50

**Notes to the consolidated financial statements (continued)**

**6 TAXATION**

No corporation tax arises in Estonia unless a distribution is made. No distribution has been made in the current or prior year and so no liability to corporation tax arises in this country. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**TAX EXPENSE**

	2010 €	2009 €
Current year expense	449,131	742,091
Over provided in prior years	(23,569)	(445,164)
Current tax	425,562	296,927
Deferred tax expense related to the origination and reversal of temporary differences	(82,291)	124,776
Total tax expense	343,271	421,703

Notes to the consolidated financial statements (continued)

6 TAXATION (continued)

TAXATION RECONCILIATION

The charge for the year can be reconciled to the consolidated statement of comprehensive income as follows:

	Latvia	Lithuania	Finland	2010 Total	2009 Total
	€	€	€	€	€
Tax rate	15%	15%	26%		
Profit before tax	(655,060)	401,792	1,123,736	<b>870,468</b>	(88,143)
Profit before tax at tax rate	(98,259)	60,269	292,171	<b>254,181</b>	105,233
Tax effect of expenses that are not deductible for determining taxable profits	88,975	58,279	54,122	<b>201,376</b>	768,983
Tax effect of expenses increasing/(decreasing) the profit for tax purposes	14,175	(15,710)	-	<b>(1,534)</b>	(419,640)
Tax effect of adjustments in respect of prior years	-	(25,922)	2,353	<b>(23,569)</b>	(445,164)
Tax losses created during the period	-	-	-	<b>0</b>	322,625
Utilisation of tax losses carried forward	(4,891)	-	-	<b>(4,891)</b>	(35,110)
Deferred tax assets (recognised) /reversed		(25,511)	(56,780)	<b>(82,291)</b>	124,776
Tax expense	-	51,405	291,866	<b>343,271</b>	421,703

Tax losses carried forward in Latvia at the end of the period were €317,734 (2009: €322,625).

Due to local tax legislation rules, bad debts in Latvia are shown under “tax effect of expenses that are not deductible for determining taxable profits” within the calculation. However, during 2009, the company obtained a ruling from the tax authorities which enables the company to deduct part of its bad debts in the taxation calculation under certain criteria and limitations. The impact of this ruling is shown under “tax effect of expenses decreasing the profit for tax purposes”.

In Lithuania, during 2010, the company was able to get confirmation from the tax authorities on the issue of deductibility rules of bad debts. This confirmation enables the company to deduct part of its bad debts under certain criteria and limitations. Impact related to the previous periods is show separately under “tax effect of adjustments in respect of prior years”.

Notes to the consolidated financial statements (continued)

6 TAXATION (continued)

DEFERRED TAX

	Provisioning			Other			Total
	Latvia €	Finland €	Lithuania €	Latvia €	Finland €	Lithuania €	€
<b>Recognised deferred tax assets &amp; liabilities</b>							
Deferred tax assets:							
At 1 January 2009	(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
At 31 December 2009	–	–	–	–	–	–	–
Charged/(credited) to the statement of comprehensive income	–	(56,780)	(25,091)	–	–	(420)	(82,291)
<b>At 31 December 2010</b>	<b>–</b>	<b>(56,780)</b>	<b>(25,091)</b>	<b>–</b>	<b>–</b>	<b>(420)</b>	<b>(82,291)</b>

Deferred tax was recognised on bad debt provisions of €81,871 (2009: €nil), at a rate dependent on the country of origin. In Latvia there were unrecognised temporary differences of €109,688 during the year (2009: €30,736) related to the non-utilisation of credit losses for tax purposes. These were not recognised as the Latvian subsidiary was a loss making unit. They are expected to be recognized in the future as the subsidiary returns to profitability.

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

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

	2010	2009
	Number	Number
Weighted average number of Ordinary shares in issue during the period	17,394,247	17,394,247
Profit/(loss) for the period (€)	190,546	(1,040,604)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has one category of dilutive potential shares and share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

**Notes to the consolidated financial statements (continued)**

**7 EARNINGS PER SHARE (continued)**

*(b) Diluted (continued)*

The calculation of diluted earnings per share is based on:

	<b>2010 Number</b>	2009 Number
<b>Earnings</b>		
- profit attributable to equity holders of the company	<b>190,546</b>	(1,040,604)
<b>Weighted average number of ordinary shares in issue</b>	<b>17,394,247</b>	17,394,247
Adjustments for dilutive effect of:		
- employee share options	<b>66,000</b>	-
- share options granted to lender (note 14)	<b>23,379</b>	-
Weighted average number of ordinary shares for diluted earnings per share	<b>17,483,626</b>	17,394,247

The average share price during the year was 46.5p (2009: 83.7p). In calculating the weighted average number of ordinary shares for calculation of diluted earnings per share, only those share options with an exercise price below the average share price will have a dilutive impact. 558,000 (2009: 558,000) share options with an exercise price of 41p (note 12) have a dilutive impact on the earnings per share along with the 724,760 (2009: nil) share options granted to Rietumu bank with an exercise price of 45p (see note 12).

**8 INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Trademarks and Software €</b>	<b>Goodwill €</b>	<b>Total €</b>
<b>At 1 January 2009</b>			
Cost	61,142	737,723	798,865
Accumulated amortisation	(24,136)	-	(24,136)
Net book amount	37,006	737,723	774,729
<b>Year ended 31 December 2009</b>			
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
<b>At 31 December 2009</b>			
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)

8 INTANGIBLE FIXED ASSETS (continued)

Group	Trademarks and Software €	Goodwill €	Total €
<b>Year ended 31 December 2010</b>			
Opening net book amount	21,145	737,723	758,868
Additions	73,421	–	73,421
Amortisation	(21,122)	–	(21,122)
<b>Closing net book amount</b>	<b>73,444</b>	<b>737,723</b>	<b>811,167</b>
<b>At 31 December 2010</b>			
Cost	138,970	737,723	876,693
Accumulated amortisation	(65,526)	–	(65,527)
<b>Net book amount</b>	<b>73,444</b>	<b>737,723</b>	<b>811,167</b>

The directors consider the useful life of the trademarks and software to be 3 years. The amortisation of trademarks and software of €21,122 (2009: €20,268) is included in direct operating expenses and administrative expenses, respectively, of the statement of comprehensive income as follows:

	2010 €	2009 €
Included within		
- direct operating expenses	6,152	–
- administrative expenses	14,970	20,268
<b>Total amortisation charge</b>	<b>21,122</b>	<b>20,268</b>

Goodwill is related to the Group's acquisition of MCB Finance AS and its subsidiary undertakings in 2006. The directors review goodwill for evidence of impairment on an annual basis. For the purposes of goodwill impairment testing, the value of MCB Finance AS is determined based on value-in-use calculations. These calculations use projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. Based on this analysis the value of MCB Finance AS is significantly above the carrying value of the goodwill.

9 PROPERTY, PLANT AND EQUIPMENT

Group	Office Equipment €
<b>At 1 January 2009</b>	
Cost	129,580
Accumulated depreciation	(45,300)
<b>Net book amount</b>	<b>84,280</b>
<b>Year ended 31 December 2009</b>	
Opening net book amount	84,280
Additions	18,599
Disposals	(5,675)
Depreciation charge	(45,300)
Depreciation on disposals	1,918

**Notes to the consolidated financial statements (continued)**

**9 PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Closing net book amount</b>	<b>53,822</b>
<b>At 31 December 2009</b>	
Cost	142,504
Accumulated depreciation	(88,682)
<b>Net book amount</b>	<b>53,822</b>
<b>Year ended 31 December 2010</b>	
Opening net book amount	53,822
Additions	15,333
Depreciation charge	(36,031)
<b>Closing net book amount</b>	<b>33,124</b>
<b>At 31 December 2010</b>	
Cost	157,837
Accumulated depreciation	(124,713)
<b>Net book amount</b>	<b>33,124</b>

**10 INVESTMENTS IN SUBSIDIARIES**

<b>Company</b>	<b>€</b>
At 1 January 2009, 31 December 2009 and 31 December 2010	<b><u>9,794,746</u></b>

**SUMMARY OF 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, a company incorporated in Latvia
- MCB Finance Finland Oy, a company incorporated in Finland

The reporting date of the subsidiary undertakings is 31 December 2010.

Notes to the consolidated financial statements (continued)

11 TRADE AND OTHER RECEIVABLES

Current receivables

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Customer loan receivables	15,916,330	23,245,061	-	-
Less: provision for impairment of trade receivables	(4,255,519)	(10,449,516)	-	-
Customer loan receivables – net	11,660,811	12,795,545	-	-
Amounts due from group undertakings	-	-	707,559	786,592
Other receivables	215,198	169,039	1,837	15,085
	<b>11,876,009</b>	<b>12,964,584</b>	<b>709,396</b>	<b>801,677</b>

Non-current receivables

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Customer loan receivables	424,316	23,217	-	-
Less: provision for impairment of trade receivables	(32,742)	(7,557)	-	-
Customer loan receivables – net	391,574	15,660	-	-

Current and non-current trade and other receivables are measured at amortised cost. The directors consider that the carrying value of the financial instrument approximates to their fair value.

Bad debt provisions

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	
	2010	2009	2010	2009
	€	€	€	€
At 1 January	10,457,073	4,361,291	-	-
Charge for the year	3,238,356	7,566,540	-	-
Amounts written off during the year	(9,407,168)	(1,470,758)	-	-
<b>At 31 December</b>	<b>4,288,261</b>	<b>10,457,073</b>	<b>-</b>	<b>-</b>

The provisions charged to the statement of comprehensive income during the period were €3,238,356 (2009: €7,566,540). During the year there was a net credit write back of €433,594 (2009: net credit loss of €197,673).

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The group does not hold any collateral as security.

**Notes to the consolidated financial statements (continued)**

**11 TRADE AND OTHER RECEIVABLES (continued)**

**Past due but not impaired**

As of 31 December 2010, all trade receivables past due have been impaired in accordance with the Company's policies.

**12 CALLED UP SHARE CAPITAL**

	2010		2009	
	Number of 10p shares	€	Number of 10p shares	€
<b>Authorised</b>				
Ordinary shares of 10p each	<b>30,000,000</b>	<b>3,502,500</b>	30,000,000	3,333,900
<b>Issued and fully paid</b>				
Ordinary shares of 10p each	<b>17,394,247</b>	<b>2,542,460</b>	17,394,247	2,542,460

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 2010 no ordinary shares were issued (2009: nil).

**(B) SHARE INCENTIVE PLANS**

The Company operates a share incentive plan, under which share options have been granted to directors and selected employees as described below:

	Date granted	Options outstanding as at 01 January 2010	Granted	Modified	Options outstanding as at 31 December 2010	Exercise price	Share price at time of grant/ modification
Directors							
	05 February 2007	482,000	–	–	<b>482,000</b>	41p	150p
	05 February 2007	437,000	–	(302,000)	<b>135,000</b>	150p	150p
	05 February 2007	–	–	302,000	<b>302,000</b>	50p	45p
	20 June 2007	45,000	–	–	<b>45,000</b>	171p	150p
	28 February 2008	65,362	–	–	<b>65,362</b>	50p	45p
Employees							
	05 February 2007	203,000	–	(158,000)	<b>45,000</b>	150p	150p
	05 February 2007	–	–	158,000	<b>158,000</b>	50p	45p
	05 February 2007	76,000	–	–	<b>76,000</b>	41p	150p
	01 November 2007	10,000	–	(10,000)	–	176.5p	176.5p
	01 November 2007	–	–	10,000	<b>10,000</b>	50p	45p
	15 November 2007	20,000	–	–	<b>20,000</b>	176.5p	176.5p
	15 February 2008	55,000	–	(55,000)	–	150p	115p
	15 February 2008	–	–	10,000	<b>10,000</b>	50p	45p
	15 February 2008	–	–	45,000	<b>45,000</b>	115p	115p
	24 May 2010	–	65,000	–	<b>65,000</b>	50p	51.5p
		<b>1,393,362</b>	65,000	–	<b>1,458,362</b>		

Share options are granted to directors and to selected employees. Options are conditional on the employee completing three years' service (the vesting period).

**Notes to the consolidated financial statements (continued)**

**12 CALLED UP SHARE CAPITAL (continued)**

On 24 May 2010 the Company issued a further 65,000 options over the ordinary shares of the company (2009: nil). 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.

On 8th of January 2010 the Company announced the expiry period for 1,168,362 of the above options to be extended by two years so they expire 5 years after the date of grant. Out of these, 590,362 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. The modification to the exercise price of the 590,362 options resulted in a €35,016 incremental charge recognised in the comprehensive statement of income for the current year. The fair value of options modified increased from 1p at the original strike price to 13p at the new strike price. No changes were made to the remaining 255,000 options outstanding.

At 31 December 2010 1,343,241 share options under the share incentive plan were exercisable (2009: 888,787). During the year no share options were exercised. The options outstanding at 31 December 2010 had a range of exercise price of 41p to 176.5p (2009: 41p to 176.5p) and a weighted average remaining contractual life of 1.5 years (2009: 2.5 years).

**Fair value of options**

The fair values of awards granted under the share option scheme have been calculated using an option valuer that is based on the Black-Scholes-Merton model. The following principal assumptions were used in the valuation:

	<b>2010</b>	2009
Expected dividend yield	<b>nil</b>	nil
Expected volatility	<b>50%</b>	50%
Risk-free interest rate	<b>5.5%</b>	5.5%
Employee turnover	<b>2.5%</b>	2.5%

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.

Based on the above assumptions, the following has been calculated:

	<b>2010</b>	2009
Fair value of options granted	<b>4.5p – 63.4p</b>	6.9p – 70.4p
Number of options outstanding as at 31 December	<b>1,458,362</b>	1,393,362
Weighted average exercise price of the options outstanding at the year end	<b>64p</b>	84p

**Expense arising from share-based payments**

Based on the above fair values and the Company's expectations of employee turnover, the expense arising from share options granted to employees was €43,144 (2009: €15,100 income)

Notes to the consolidated financial statements (continued)

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Trade payables	256,561	211,482	–	–
Other taxation and social security	134,826	179,860	–	–
Other payables	332,802	182,705	–	–
Accruals	248,897	159,075	103,829	40,530
	<b>973,086</b>	<b>733,122</b>	<b>103,829</b>	<b>40,530</b>

Trade and other payables are measured at amortised cost. The directors consider that the carrying value of the financial instrument approximates to their value.

14 SHORT TERM BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Bank loans and overdrafts	5,200,000	6,460,000	–	–

During the year the loan from Rietumu Bank incurred interest at 13% pa plus 1% on undrawn amounts. For the year ended 31 December 2010 the credit facility had a loan limit of €10,000,000 and was due to be repaid 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.

Post year-end the bank loan facility has been extended. From 31 March 2011 the credit facility was revised to a loan limit of €12,000,000, and is repayable on 31 March 2012.

In connection with the renewal of the credit facility, MCB extended by one year the option granted to Rietumu in March 2010 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 now expire 31 March 2012. In the event the option is exercised Rietumu will have the obligation to extend the credit facility for a further year to March 2013.

Short term borrowings are measured at amortised cost. The directors consider that the carrying value of the financial instrument approximates to their value.

**Notes to the consolidated financial statements (continued)**

**15 OPERATING LEASE COMMITMENTS**

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

	<b>2010</b>	2009
	€	€
Rental payments within 1 year	<b>62,196</b>	56,441
Rental payments over 1 and within 5 years	<b>34,056</b>	52,449
	<u><b>96,252</b></u>	<u>108,890</u>

Included above are rental payments related to car leases within one year of €3,994 (2009: €8,537), and rental payments related to car leases over 1 and within 5 years of €9,188 (2009: €14,778). The car lease in Estonia expires on 15 April 2015.

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.

Under the terms of the rental agreement in Latvia, the office lease expires on 31 December 2011 and can only be terminated upon mutual agreement.

**16 NOTES TO THE CASH FLOW STATEMENT**

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

	<u>Group</u>		<u>Company</u>	
	<b>2010</b>	2009	<b>2010</b>	2009
	€	€	€	€
Profit/(loss) on ordinary activities before taxation	<b>533,817</b>	(618,901)	<b>(192,174)</b>	(123,547)
Depreciation	<b>21,122</b>	45,300	–	–
Amortisation	<b>36,031</b>	20,268	–	–
Loss on disposal of property, plant and equipment	–	3,757	–	–
Employees share options	<b>43,144</b>	(15,100)	<b>36,445</b>	(15,100)
Decrease in receivables	<b>814,112</b>	7,938,392	<b>92,282</b>	136,738
Increase/(decrease) in payables	<b>320,327</b>	(572,559)	<b>63,299</b>	1,176
<b>Cash flow used in /(generated from) operating activities</b>	<u><b>1,768,553</b></u>	<u>6,801,157</u>	<u><b>(148)</b></u>	<u>(733)</u>

**CASH AND CASH EQUIVALENTS**

	<u>Group</u>		<u>Company</u>	
	<b>2010</b>	2009	<b>2010</b>	2009
	€	€	€	€
Cash at bank and in hand	<u><b>1,949,878</b></u>	<u>2,214,477</u>	<u><b>421</b></u>	<u>569</u>

**Notes to the consolidated financial statements (continued)**

**17 RELATED PARTIES**

The Directors consider that the Company does not have an ultimate parent undertaking or controlling party.

During the year the Group was charged a license fee of €270,628 (2009: €256,358) by MC Global Limited, and the Group paid MC Global Limited €249,511 (2009: €258,786), resulting in a net amount owed by MC Global Limited of €3,342 (2009: €26,459) at the end of the year. MC Global Limited is a related party by virtue of its minority shareholding in the MCB Finance Group Plc.

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.

At 31 December 2010 MCB Finance AS owed MCB Finance Group Plc €707,559 (2009: €786,592). This includes accrued annual interest of €216 (2009: €3,393).

Further related party transactions are summarised below:

<b>Transactions</b>	<b>2010</b>	2009
	€	€
Gross marketing services received <sup>1)</sup>	<b>188,553</b>	143,819
IT and Consultancy services received <sup>2)</sup>	<b>57,679</b>	44,918
Gross marketing services paid <sup>1)</sup>	<b>190,535</b>	142,649
IT and Consultancy services paid <sup>2)</sup>	<b>58,859</b>	44,211
	<hr/>	<hr/>
<b>Balances</b>	<b>2010</b>	2009
	€	€
Payables for Gross marketing services <sup>1)</sup>	<b>15,147</b>	17,129
Payables for IT and Consultancy services <sup>2)</sup>	<b>766</b>	1,946
	<hr/>	<hr/>

1) Related parties include Clickit Baltic Oü. Net commissions to Clickit Baltic Oü totalled €11,844 in 2010 (2009: €664). Remaining amounts (2010: €176,709, 2009: €143,155) represent through payments to third party media companies in connection with the Group's advertising activities.

2) Related parties include Mlaboratory Oü, PCT Arvutid AS and Pepe Promotsioon Oü.

These companies are considered related parties by virtue of ownership stakes by certain employees of the Group.

**Notes to the consolidated financial statements (continued)**

**17 RELATED PARTIES (continued)**

<b>Transactions with key management personnel</b>	<b>2010</b>	<b>2009</b>
	€	€
Loan repaid by Member of Management	<b>(6,300)</b>	–
Interest from loans given to Member of Management	<b>969</b>	1,070
	<hr/>	<hr/>
<b>Balances with key management personnel</b>	<b>2010</b>	<b>2009</b>
	€	€
Receivable from Member of Management	<b>9,187</b>	14,519
	<hr/>	<hr/>

The loan is unsecured and bears annual interest of 8% and is repayable during 2011.

Key management and director's emoluments are disclosed within note 5 and the director's report of these financial statements.

**18 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 both current and non-current. 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, both current and non-current, at 31 December 2010 had been 3% higher or lower, and all other variables were held constant, then the Group's profit for the year ended 31 December 2010 would have decreased or increased by €128,648 (2009: €313,712). The maximum exposures to credit risk are the amounts disclosed in note 11. The group's trade receivables are all unsecured and are measured at amortised cost.

**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.

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**Notes to the consolidated financial statements (continued)****18 FINANCIAL INSTRUMENTS (continued)****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 2010 would have increased or decreased by €2,000 (2009: €2,000) due to the Group's exposure to variable interest rates on its cash deposits. The group is not exposed to interest movements on its borrowings since they are held at a fixed 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 the prior year. The capital structure of the Group consists of net debt (borrowings as detailed in note 14, offset by cash and bank balances as detailed in note 16) and equity of the Group (comprising issued capital, reserves, retained earnings as detailed in the Consolidated Statement of Changes in Equity). The Group is not subject to any externally imposed capital requirements.

## SHAREHOLDER INFORMATION

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