

Mobile Credit Baltic Plc

Annual Report and Accounts

For the year ended 31 December 2007

Company No. 06032184

Contents	
Chairman's Statement	2
Board of Directors	6
Directors' Report	8
Statement of Directors' Responsibilities	10
Independent Auditors' Report	11
Consolidated Income Statement	13
Consolidated Balance Sheet	14
Company Balance Sheet	15
Consolidated and Company Cashflow Statements	16
Notes to the Consolidated Financial Statements	17
Shareholder Information and Advisers	31

CHAIRMAN'S STATEMENT

Results for the year ended 31 December 2007

Introduction

Mobile Credit Baltic Plc (AIM: MCRB.L) (the "Company" or "MCB"), the consumer finance provider serving the growing markets of Estonia, Latvia, Lithuania and Finland, presents its financial results for the financial year ended 31 December 2007, its first full year of operations.

Operating and financial highlights

- Revenue increased to €3.95m, in line with expectations
- Pro-forma net loss of €2.62m, in line with expectations
- €24m of loans made with a high percentage of returning customers
- Continued expansion in Estonia and Finland
- Successful launch of Lithuanian and Latvian operations
- Distribution agreement with Latvian Post to further expand Credit24 reach in Latvia
- Significant improvements in repayment and collection performance, underpinned by a growing proprietary customer database
- Expansion of both short-term product range and launch of larger longer-term loans
- Significant further growth expected, and on target for profitability during 2008

Business overview

MCB is a consumer finance company providing fast, convenient, easily understood and flexible credit solutions under the Credit24 brand name to retail customers in Finland and the rapidly growing Baltic countries of Estonia, Latvia and Lithuania (the Fenno-Baltic Region). The Company currently provides unsecured loans of between €100 and €2,000 to qualifying customers, with maturities ranging from one month to three years. Loan products are designed to suit customers' needs with simple and transparent terms and flexible repayment schedules.

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

The markets for unsecured consumer credit in the countries where the Company operates are relatively under-developed and experiencing rapid growth. Since launching the business in late 2006, the Company has become one of the leading participants in the non-standard lending market. This segment is typically under-served by larger financial institutions, and attracts customers who value the flexibility and simplicity of the products offered.

Operational update

2007 was the Company's first full year of operations following the launch of the business in Estonia and Finland in late 2006. During 2007 the Company grew its lending operations in Estonia and Finland significantly, launched its businesses in Lithuania and Latvia in January and September, respectively, expanded its product range in all markets and strengthened the organisation to support current and expected growth.

CHAIRMAN'S STATEMENT (continued)Lending volumes

During the year the Company extended approximately €24 million of loan principal. This is up from €1.6 million of loan principal in our launch year of 2006. During Q4 2007 alone MCB extended approximately €10 million of loan principal. A large proportion of loans were made to returning customers, which significantly reduces acquisition costs per loan and improves overall repayment performance.

Loan products

MCB has expanded its range of short-term loans to offer greater flexibility to customers when choosing loans size and repayment terms. Short-term loans now range between €100 and up to €800 for customers who qualify.

In addition to its short-term product range, in late 2007 the Company started introducing larger loans up to €2,000 with repayment terms up to 36 months to selected customers who qualify. The introduction of larger loans further expands Credit24's addressable market and is in line with the Company's original business strategy.

The Company takes a robust approach to credit risk. Credit extension decisions are based on MCB's proprietary credit scoring models, and underpinned by customer information verified by the Company, information sourced from local credit reference bureaus, and statistical analysis of the Company's proprietary database.

Organisation

The Company continued to build its organisation during the year. We established new operational teams in Lithuania and Latvia and strengthened the organisations in Estonia and Finland. At the Group level we have continued to strengthen our technology development and credit risk evaluation capabilities.

A large portion of the Company's lending and collection operations are automatically managed and monitored by MCB's proprietary credit extension and CRM systems. Additions to the Company's organisational capacity are expected to be marginal and consistent with the Company's low-cost business model.

Other key developments

In November 2007 the Company launched a partnership with Latvian Post to distribute Credit24 loans through its network of approximately 200 branches. The distribution partnership allows the Company to reach customers who prefer a face-to-face interaction when applying for credit. Early results are encouraging and we expect to see growing lending volumes through this channel. The Company will be pursuing similar partnerships as appropriate.

In February 2008, the Company obtained the right to use the Credit24 brand in all Central and Eastern Europe and certain neighbouring countries, including Czech Republic, Slovakia, Hungary, Poland, Romania, Slovenia, Croatia, Serbia, Macedonia, Montenegro, Bosnia, Albania, Kosovo, Bulgaria, Moldova, Ukraine and Belarus (the "Territory"). In return MCB relinquished the right described in the Admission Document to subscribe for shares in companies established by MC Global outside the Territory.

While we believe substantial benefit can be realised from further geographic expansion, the Board, in keeping with its robust attitude to risk management and its continuing adherence to sound business principles, will carefully assess all opportunities.

CHAIRMAN'S STATEMENT (continued)**Financials**

Revenues for the full year totalled €3,950,724, which is in line with expectations. Direct operating expenses which include provisions and variable costs related to the Company's lending operations, were €2,430,012. Administrative expenses were €4,464,092. Net finance costs were €132,674. The net loss for the year was €3,076,054.

Direct operating expenses include a one-off non-cash impairment charge of €117,980 related to the write-down of certain legacy software systems and administrative expenses include a €332,799 non-cash reserve arising on employee share options granted during the year. Excluding these charges, the Company's pro-forma net loss for the year was €2,625,275, in line with expectations.

Credit loss provisioning for the year totalled €1,386,782. Provisions for the second half-year of 2007 were lower than in the first half, reflecting improved repayment trends as the Company establishes itself in its markets, builds a large database of customers and refines its credit scoring models. The sale of certain aged receivables during the second half of the year has allowed the Company to validate its levels of provisioning.

Estonia and Finland, the Company's largest markets, have reached operational profitability on a monthly unallocated basis, excluding central overhead costs. Estonia and Finland were the first two countries to be launched, and we expect MCB's operations in Lithuania and Latvia to show similar trends during 2008.

Overall the Company's financial performance trends are positive and we expect the Company to reach break-even during 2008.

Funding

MCB strengthened its financial position during the year to ensure it has the resources to support its operations and the rapid growth of its customer loan book.

In January 2007 the Company floated on the AIM market of the London Stock Exchange, raising €5.7 million (gross) of equity financing. The flotation raised the profile of the Company as a reliable and transparent provider of credit solutions, and has facilitated further financings.

In February 2008 the Company raised a further €5.1 million equity through a placing to both current shareholders and new investors. The placing secures the equity financing required to support the Company's planned growth in the Fenno-Baltic markets during 2008 and represents a strong endorsement of MCB's underlying business and development plans. We are delighted to have completed the placing despite the very difficult recent market conditions.

MCB finances a large portion of its outstanding loan receivables through a €10 million credit facility secured in August 2007 with Rietumu Bank, the Riga-based commercial bank. The establishment of this credit line, from one of the Baltic region's leading financial institutions, was an important step in our development. Most of this facility remains undrawn and will be used to finance the continued expansion of our lending activities in the region.

MCB maintains good relationships with a number of potential financing providers, and believes it is in a strong position to take advantage of the significant opportunities we continue to see in the consumer credit markets.

CHAIRMAN'S STATEMENT (continued)

Current trading and outlook

Lending volumes have remained strong since the completion of the equity financing in mid-February. The Company expects significant further growth in 2008 driven by the continued growth of its short-term loan business and the roll-out of its larger loans across all markets.

Constraints in the wholesale credit markets have resulted in a tightening in the availability of consumer loans by traditional financial institutions. We expect this trend to continue for the foreseeable future, benefiting financially robust, focused consumer-credit providers with a good understanding of their target markets.

During the past year and half the Company has progressed successfully from start-up and is now an established business in four countries, with recurring revenues, robust growth and significant opportunities for continued expansion. We will continue to develop the business during 2008 and beyond, and remain as confident as ever about our prospects.

Bertil Rydevik
Chairman
29 April 2008

BOARD OF DIRECTORS**Executive Directors****1. Rami Ryhänen**

Chief Executive Officer (Age 40)

Mr Ryhänen has been CEO of the Company since its inception in 2005, where he has been at the forefront of the developing 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 36)

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 grow it to a business with 1 million users and 120 employees in four countries, before its sale to Terra Mobile SA. Mr Nilert worked in investment banking in London, New York and Helsinki. He graduated from Dartmouth College in the US with a B.A. in Political Sciences.

Non-Executive Directors**3. Bertil Rydevik**

Non-Executive Chairman (Age 55)

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

4. Dr Anton Mayr

Non-Executive Director (Age 45)

Mr Mayr is Co-founder and Managing Partner of Stratos Ventures, an early stage ICT venture capital fund with offices in Finland and California. He is a Director of CRF Oy, a leader in electronic patient reported outcomes and wireless data collection solutions for the biopharmaceutical industry. 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.

BOARD OF DIRECTORS (continued)

5. Richard Parkinson

Non-Executive Director (Age 40)

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

6. Philippe Duleyrie

Non-Executive Director (Age 50)

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 2007

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2007.

Principal activity

Mobile Baltic Credit Plc is the parent company for a group providing fast, convenient, easily understood and flexible credit solutions to retail customers in Finland and the rapidly-growing Baltic Region.

Business review and future developments

A review of 2007, together with likely future developments, is contained in the Chairman's Statement on pages 2 to 5.

Results and dividends

The loss for the year ended 31 December 2007 attributable to shareholders was €3,076,054, as set out in the consolidated income statement on page 13. The Directors do not propose the payment of a dividend.

Post balance sheet events

The capital structure of the Company is detailed in Note 13 to the financial statements on page 25. As detailed in Note 21, subsequent to the end of the year the Company's shareholders approved an increase in the authorised share capital of the Company, and on 19 February 2008 the Company placed 3,330,432 new ordinary shares ("Placing Shares") of 10 pence each at 115p per share to raise gross proceeds of £3.8 million (€5.1 million). The Placing Shares have been allotted from the Company's existing share allotment authorities. The placing secured the equity financing required to support the Company's expected further growth for 2008 in the Fenno-Baltic markets.

Directors

Biographies of the current Directors, all of whom served during the year, are set out on pages 6 and 7. Dennis Malamatinas also served as a Director during the year until his resignation from the Board on 19 June 2007. Philippe Duleyrie, having been appointed since the Company's last AGM, will retire at the 2008 General Meeting and will offer himself for re-election at this meeting.

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			(*)
	2007		2006	
	Number	%	Number	
Rami Ryhänen	127,684	0.9	127,684	(a)
Henry Nilert	611,952	4.4	611,952	(b)
Bertil Rydevik	359,112	2.6	359,112	(a)
Richard Parkinson	1,308,764	9.3	1,308,764	(c)
Philippe Duleyrie	419,211	3.0	419,211	(d)

(*) Or date of appointment, if later

- (a) Held through MCB Holding Limited, the Company's immediate parent undertaking
- (b) 53,333 shares held directly, and the remaining shares held through MCB Holding Limited
- (c) Held through Orient Equity Partners Limited, a company wholly owned by Richard Parkinson, which has a beneficial interest in MCB Holding Limited
- (d) 100,000 shares held directly, and the remaining shares held through MCB Holding Limited

DIRECTORS' REPORT**For the year ended 31 December 2007 (continued)****Donations**

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

Financial risk management objectives and policies

The Company's objectives and policies in relation to financial risk management are set out in Note 20 to the financial statements on page 30.

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 2007 the average creditor days were 41.

Significant shareholdings

As at 31 December 2007 the following significant shareholdings were disclosable for the purposes of part 5 of the Disclosure and Transparency Rules:

Notifier	No of shares	Percentage of issued ordinary shares
MCB Holding Limited	11,531,486	82.0%
Europanel AB	1,000,000	7.1%
Hansa Eastern European Equity Fund	533,333	3.8%

Corporate Social Responsibility

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

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

Auditors

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

Annual General Meeting

The Annual General Meeting will be held at Regus Luna House, Mannerheimintie 12 B, 00100 Helsinki at 10 a.m. on 29 May 2008. The notice of meeting enclosed with this report contains three items of special business, details of which are explained in the notice.

By Order of the Board

Henry Nilert

Company Secretary

65 Duke Street
London
W1K 5NT

29 April 2008

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 11 and 12, sets out their responsibilities in relation to the financial statements.

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

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

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

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

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

In so far as the Directors are aware:

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOBILE CREDIT BALTIC PLC

For the year ended 31 December 2007

We have audited the Group and Parent Company financial statements (the "financial statements") of Mobile Credit Baltic Plc for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOBILE CREDIT BALTIC PLC
(continued)**

Opinion:

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the Group's affairs as at 31 December 2007 and of the Group's loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

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

29 April 2008

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

	Note	Year from 1 January 2007 to 31 December 2007 €	Period from 18 December 2006 to 31 December 2006 € (As restated)
Revenue	3	3,950,724	42,821
Impairment charge relating to legacy systems	9	(117,980)	-
Other direct operating expenses		(2,312,032)	(15,436)
Direct operating expenses		(2,430,012)	(15,436)
Cost of employee share options		(332,799)	-
Other administrative expenses		(4,131,293)	(78,914)
Administrative expenses		(4,464,092)	(78,914)
Interest payable and similar charges	6	(146,713)	(2,107)
Interest receivable	6	14,039	635
Loss on ordinary activities before taxation	4	(3,076,054)	(53,001)
Taxation	7	-	-
Loss on ordinary activities after taxation attributable to the equity shareholders of the parent company	14	(3,076,054)	(53,001)
		2007	2006
		€	€
Basic and diluted loss per Ordinary share	8	(0.220)	(0.005)

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

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

The accompanying notes on pages 17 to 30 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

	Note	€	2007 €	€	2006 €
ASSETS					
Non-current assets					
Goodwill	9	737,723		737,723	
Intangible assets	9	24,736		180,734	
Property, plant and equipment	10	66,779		8,265	
Total non-current assets			829,238		926,722
Current assets					
Trade and other receivables	12	8,187,738		1,177,413	
Cash and cash equivalents	18	506,093		273,549	
Total current assets			8,693,831		1,450,962
Total assets			<u>9,523,069</u>		<u>2,377,684</u>
EQUITY AND LIABILITIES					
Equity					
Issued share capital	13	2,095,567		1,712,610	
Share premium account	14	3,965,831		-	
Equity-settled employee benefits reserve'	14	332,799		-	
Retained earnings	14	(3,129,055)		(53,001)	
Total equity	14		3,265,142		1,659,609
Current liabilities					
Trade and other payables	15	1,707,927		459,702	
Short-term borrowings	16	4,550,000		258,373	
Total current liabilities			6,257,927		718,075
Total equity and liabilities			<u>9,523,069</u>		<u>2,377,684</u>

The consolidated financial statements on pages 13 to 30 were approved by the Board of Directors and authorised for issue on 29 April 2008 and were signed on its behalf by:

B Rydevik
Chairman

H Nilert
Chief Financial Officer

The accompanying notes on pages 17 to 30 form an integral part of these consolidated financial statements.

COMPANY BALANCE SHEET
As at 31 December 2007

	Note	€	2007 €	€	2006 €
ASSETS					
Non-current assets					
Investment in subsidiaries	11	5,034,256		1,712,610	
Total non-current assets			5,034,256		1,712,610
Current assets					
Trade and other receivables	12	969,656			
Cash and cash equivalents	18	3,401		139	
Total current assets			973,057		139
Total assets			<u>6,007,313</u>		<u>1,712,749</u>
EQUITY AND LIABILITIES					
Equity					
Issued share capital	13	2,095,567		1,712,610	
Share premium account	14	3,965,831		-	
Equity-settled employee benefits reserve ¹	14	332,799		-	
Retained earnings	14	(450,560)		-	
Total equity			5,943,637		1,712,610
Current liabilities					
Trade and other payables	15	63,676		139	
Total current liabilities			63,676		139
Total equity and liabilities			<u>6,007,313</u>		<u>1,712,749</u>

The consolidated financial statements on pages 13 to 30 were approved by the Board of Directors and authorised for issue on 29 April 2008 and were signed on its behalf by:

B Rydevik
Chairman

H Nilert
Chief Financial Officer

The accompanying notes on pages 17 to 30 form an integral part of these consolidated financial statements.

CASH FLOW STATEMENTS
For the year ended 31 December 2007

	Note	Group		Company	
		Year from 1 January 2007 to 31 December 2007 €	Period from 18 December 2006 to 31 December 2006 €	Year from 1 January 2007 to 31 December 2007 €	Period from 18 December 2006 to 31 December 2006 €
Cash flow used in operating activities	18 (A)	(8,302,563)	(92,018)	(70,984)	139
Cash flow from investing activities					
Purchase of property, plant and equipment		(69,304)	(7,218)	-	-
Purchase of intangible assets		(36,004)	-	-	-
Purchase of subsidiary undertaking		-	372,785	(3,321,646)	-
Cash flow from investing activities		(105,308)	365,567	(3,321,646)	-
Cash flow from financing activities					
Issue of share capital		5,744,361	-	5,744,361	-
Expenses relating to the issue of shares		(1,395,573)	-	(1,395,573)	-
Receipt of short-term borrowing		4,550,000	-	-	-
Intercompany loans		-	-	(952,896)	-
Repayment of short-term borrowing		(258,373)	-	-	-
Cash flow from financing activities		8,640,415	-	3,395,892	-
Increase in cash and cash equivalents		232,544	273,549	3,262	139
Cash and cash equivalents at 1 January	18 (B)	273,549	-	139	-
Cash and cash equivalents at 31 December	18 (B)	506,093	273,549	3,401	139

The accompanying notes on pages 17 to 30 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements**1 ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2007****Basis of preparation**

Mobile Credit Baltic Plc is registered and domiciled in England and Wales.

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

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

- IFRS 2, Share-based Payment (revised);
- IFRS 3, Business Combinations (revised);
- IFRS 8, Operating Segments;
- IAS 1, Presentation of Financial Statements (revised);
- IAS 23, Borrowing costs (revised);
- IAS 27, Consolidated and Separate Financial Statements (revised);
- IAS 28, Investments in Associates (revised);
- IAS31, Interest in Joint Ventures (revised);
- IAS 32, Financial Instruments: Presentation (revised);
- IFRIC 11, IFRS2: Group and Treasury share transactions;
- IFRIC 12, Service concession arrangements;
- IFRIC 13, Customer Loyalty Programmes; and
- IFRIC 14, IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

Presentation of prior year costs

In the financial statements for the prior period all of the Group's expenses were classified under a single heading of "Administrative expenses". In order to enhance the presentation of the Group's results, costs have been split between either "direct operating expenses", comprising those expenses that are directly related to the Group's lending operations including credit loss provisioning and costs related to loan processing and monitoring, or "administrative expenses" comprising overhead, marketing and other expenses related to the Group's business.

This change in presentation has no impact on the result for either period or the net assets of the Group.

Basis of consolidation

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

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

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

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

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

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

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

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

Intangible assets

Intangible assets are stated at acquisition cost less any accumulated depreciation and any accumulated impairment losses. Amortisation is provided to write off the intangible asset over the period the Group expects to use the assets. The principal annual rate for this purpose is 33% per annum. The carrying value of intangible assets is assessed annually and any impairment is charged to the income statement.

Property, plant and equipment

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

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

Financial assets and liabilities

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

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

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective 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.

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

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

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

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

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

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

Revenue

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

Foreign exchange**(i) Foreign currencies**

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

(ii) Foreign operations

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

(iii) Year end exchange rate

The year end exchange rate was €1.4269 / £1.

Leases

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

Taxation and deferred taxation

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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.

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

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

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

Employee share options

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Recoverability of customer loan receivables

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

Employee share options

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

3 SEGMENT INFORMATION

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

Year from 1 January 2007 to 31 December 2007

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

(*) The Baltic region includes corporate costs incurred by the Group's holding companies.

Notes to the consolidated financial statements (continued)

3 SEGMENT INFORMATION (continued)

Year from 1 January 2007 to 31 December 2007

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

Period from 18 December 2006 to 31 December 2006

	Revenue €	Net loss €	Assets €	Liabilities €
Baltics	17,372	(48,780)	1,485,695	(482,473)
Finland	25,449	(4,221)	891,989	(235,602)
	<u>42,821</u>	<u>(53,001)</u>	<u>2,377,684</u>	<u>(718,075)</u>

During the period from 18 December 2006 to 31 December 2006 all of the capital expenditure (€7,218) and depreciation (€1,745) related to the Group's operations in the Baltics.

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year from 1 January 2007 to 31 December 2007 €	Period from 18 December 2006 to 31 December 2006 €
Staff costs (see Note 5)	1,754,158	27,744
Credit losses	1,386,782	70,949
Operating leases	48,260	-
Net foreign exchange gains	(3,606)	-
Auditors' remuneration:		
- Audit work	118,865	20,140
- Tax services	-	1,530
Amortisation of intangible fixed assets (see Note 9)	74,022	1,729
Impairment of intangible fixed assets (see Note 9)	117,980	-
Depreciation of property, plant and equipment (see Note 10)	<u>10,790</u>	<u>16</u>

Notes to the consolidated financial statements (continued)

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

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

5 DIRECTORS AND EMPLOYEES

Staff costs including directors' emoluments:

	Year from 1 January 2007 to 31 December 2007 €	Period from 18 December 2006 to 31 December 2006 €
Wages and salaries	1,107,897	22,108
Social security costs	313,462	5,636
Share based compensation	332,799	-
	<u>1,754,158</u>	<u>27,744</u>
Included in the above are Directors' emoluments of	<u>386,266</u>	<u>10,579</u>

The highest paid director received €120,000 during the year (2006: €3,276).

The average monthly number employed including executive directors:

	Year from 1 January 2007 to 31 December 2007 Number	Period from 18 December 2006 to 31 December 2006 Number
Senior management	2	2
Support staff	22	14
	<u>24</u>	<u>16</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES AND INTEREST RECEIVABLE

	Year from 1 January 2007 to 31 December 2007 €	Period from 18 December 2006 to 31 December 2006 €
Interest receivable on bank deposits	(14,039)	(635)
Interest payable on bank borrowings	146,713	2,107
	<u>132,674</u>	<u>1,472</u>

Notes to the consolidated financial statements (continued)**7 TAXATION**

No corporation tax arises in Estonia unless a distribution is made, and so as no distribution has been made in the year no liability to corporation tax arises. There is no tax charge for the year in respect of the Group's other subsidiary undertakings due to their losses for the year. A deferred tax asset on these losses of approximately €228,000 (2006: €73,000) has not been provided in these accounts.

8 LOSS PER ORDINARY SHARE

The calculation of basic loss per ordinary share is based on:

	Year from 1 January 2007 to 31 December 2007	Period from 18 December 2006 to 31 December 2006
	Number	Number
The weighted average number of Ordinary shares in issue during the year	13,994,436	10,644,449
The loss for the year (€)	(3,076,054)	(53,001)

There were no dilutive effects from the share option schemes as the Group was loss-making.

9 INTANGIBLE FIXED ASSETS

Group	Trademarks and Software €	Goodwill €	Total €
Cost			
At 1 January 2007	182,463	737,723	920,186
Additions	36,004	-	36,004
At 31 December 2007	218,467	737,723	956,190
Amortisation			
At 1 January 2007	1,729	-	1,729
Charge for the year	74,022	-	74,022
Impairment for the year	117,980	-	117,980
At 31 December 2007	193,731	-	193,731
Net book value			
At 31 December 2007	24,736	737,723	762,459
At 31 December 2006	180,734	737,723	918,457

The Directors have reviewed the carrying value of certain Group legacy software systems, and consider that they are unusable in its current and likely future operations. As a result the resale value of these systems has been estimated as nil and an impairment charge of €117,980 has been included in the Group's income statement.

Notes to the consolidated financial statements (continued)

10 PROPERTY, PLANT AND EQUIPMENT

Group	Office equipment €
Cost	
At 1 January 2007	8,281
Additions	69,304
At 31 December 2007	77,585
Depreciation	
At 1 January 2007	16
Charge for the year	10,790
At 31 December 2007	10,806
Net book value	
At 31 December 2007	66,779
At 31 December 2006	8,265

11 INVESTMENTS IN SUBSIDIARIES

Company	€
At 1 January 2007	1,712,610
Additions (see Note 11 (B))	3,321,646
At 31 December 2007	5,034,256

(A) SUMMARY OF PRINCIPAL SUBSIDIARY UNDERTAKINGS

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

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

- Mobile Credit Estonia Oü, a company incorporated in Estonia
- UAB Mobile Credit Baltic, a company incorporated in Lithuania
- Mobile Credit Latvia SIA, a company incorporated in Latvia
- Mobile Credit Nordic Oy, a company incorporated in Finland

Notes to the consolidated financial statements (continued)

11 INVESTMENTS IN SUBSIDIARIES (continued)

(B) ADDITIONS

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

12 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	€	€	€	€
Customer loan receivables	7,995,514	1,111,542	-	-
Amounts due from group undertakings	-	-	952,896	-
Other receivables	192,224	65,871	16,760	-
	8,187,738	1,177,413	969,656	-

Customer loan receivables are stated net of bad debt provisions of €1,301,403 (2006: €70,949).

13 CALLED UP SHARE CAPITAL

	2007		2006	
	Number of 10p shares	€	Number of 10p shares	€
Authorised				
Ordinary shares of 10p each	20,000,000	2,970,320	20,000,000	2,970,320
Issued and fully paid				
Ordinary shares of 10p each	14,063,815	2,095,567	11,531,486	1,712,610

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

(A) SHARE ISSUES DURING THE YEAR

On 4 January 2007 the Company re-registered as a public limited company with the name Mobile Credit Baltic Plc. On 10 January 2007 the Company issued 2,532,329 shares, raising €4.3m (net of expenses), and its shares were admitted to trading on the AIM market of the London Stock Exchange.

Notes to the consolidated financial statements (continued)**13 CALLED UP SHARE CAPITAL (continued)****(B) SHARE OPTION SCHEMES**

During the year the Company issued the following options over the Ordinary shares of the Company. One-twelfth of the options granted vest at the end of each calendar quarter (subject to the option holder remaining an employee of the Company), commencing with the calendar quarter ending 31 March 2007 and ending with the calendar quarter ending 31 December 2010. The option holders have an obligation to reimburse any income tax paid by the Company in connection with the exercise of the option. None of these options lapsed or were exercised during the year.

	Number	Exercise price	Expiry
Directors	482,000	41p	31 December 2011
	482,000	150p	31 December 2011
Employees	203,000	150p	31 December 2011
	76,000	41p	31 December 2011
	30,000	184.5p	16 March 2012
	10,000	171.5p	16 September 2012
	10,000	176.5p	1 November 2012
	20,000	176.5p	15 November 2012
	<u>1,313,000</u>		

The weighted average exercise price of the options outstanding at the end of the year was 99p. The weighted-average remaining contractual life was 4.0 years.

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

Expected volatility	40%
Expected life (days)	241 to 1,411
Risk free rate	5.50%
Dividend yield	Nil
Fair value	6.9p to 57.2p

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

Notes to the consolidated financial statements (continued)

14 STATEMENT OF CHANGES IN EQUITY

Group	Share capital	Share premium	Equity-settled employee benefits reserves	Profit & loss account	Total
	€	€	€	€	€
On incorporation	-	-	-	-	-
Arising on share issues	1,712,610	-	-	-	1,712,610
Loss for the financial period	-	-	-	(53,001)	(53,001)
At 1 January 2007	1,712,610	-	-	(53,001)	1,659,609
Loss for the financial year	-	-	-	(3,076,054)	(3,076,054)
Arising on share issues	382,957	3,965,831	-	-	4,348,788
Arising on employee share options	-	-	332,799	-	332,799
At 31 December 2007	2,095,567	3,965,831	332,799	(3,129,055)	3,265,142
Company					
	Share capital	Share premium	Equity-settled employee benefits reserves	Profit & loss account	Total
	€	€	€	€	€
On incorporation	-	-	-	-	-
Arising on share issues	1,712,610	-	-	-	1,712,610
At 1 January 2007	1,712,610	-	-	-	1,712,610
Loss for the financial year	-	-	-	(450,560)	(450,560)
Arising on share issues	382,957	3,965,831	-	-	4,348,788
Arising on employee share options	-	-	332,799	-	332,799
At 31 December 2007	2,095,567	3,965,831	332,799	(450,560)	5,943,637

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

As permitted by Section 230(1) of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the year was €450,560 (2006: €Nil).

Notes to the consolidated financial statements (continued)

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	€	€	€	€
Trade payables	243,669	87,299	21,433	-
Amounts due to group undertakings	-	-	-	139
Other taxation and social security	349,090	163,431	-	-
Other creditors	137,675	72,171	-	-
Accruals	176,030	50,501	42,243	-
Deferred income	801,463	86,300	-	-
	<u>1,707,927</u>	<u>459,702</u>	<u>63,676</u>	<u>139</u>

16 SHORT TERM BORROWINGS

	Group		Company	
	2007	2006	2007	2006
	€	€	€	€
Bank loans and overdrafts	4,550,000	158,373	-	-
Other borrowings	-	100,000	-	-
	<u>4,550,000</u>	<u>258,373</u>	<u>-</u>	<u>-</u>

The bank loan at 31 December 2007 bears interest at 12.5% and is a draw-down of a total facility of €10m which is secured by a floating charge over the Group's outstanding customer loan receivables, certain of the Group's bank accounts, and by all property including existing and future tangible and / or intangible property owned by Mobile Credit Latvia SIA. The facility is repayable on 24 August 2008.

The bank loan at 31 December 2006 bore interest at 12% and was secured by a floating charge over the Group's outstanding customer loan receivables in Estonia. The loan was repaid on 4 October 2007.

The other borrowings were unsecured and were repaid by 28 February 2007.

17 OPERATING LEASE COMMITMENTS

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

	2007	2006
	€	€
Rental payments within 1 year	52,441	-
Rental payments over 1 and within 5 years	35,089	-
	<u>87,530</u>	<u>-</u>

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

Notes to the consolidated financial statements (continued)

18 NOTES TO THE CASH FLOW STATEMENT

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

	Group		Company	
	Year from 1 January 2007 to 31 December 2007 €	Period from 18 December 2006 to 31 December 2006 €	Year from 1 January 2007 to 31 December 2007 €	Period from 18 December 2006 to 31 December 2006 €
Loss on ordinary activities before taxation	(3,076,054)	(53,001)	(450,560)	-
Depreciation	10,790	16	-	-
Amortisation	74,022	1,729	-	-
Impairment	117,980	-	-	-
Employees share options	332,799	-	332,799	-
Increase in debtors	(7,010,325)	(48,182)	(16,760)	-
Increase in creditors	1,248,225	7,420	63,537	139
Cash flow used in operating activities	(8,302,563)	(92,018)	(70,984)	139

(B) CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 €	2006 €	2007 €	2006 €
Cash at bank and in hand	506,093	273,549	3,401	139

19 RELATED PARTIES

As of 31 December 2007 the Directors considered the Company's immediate parent undertaking to be MCB Holding Limited, a company incorporated in Malta, which owned 82% of the Company's issued share capital. As of 31 December 2007 the Directors considered the Company's ultimate parent undertaking to be MC Global Limited, a company incorporated in Malta. As of 31 December 2007 the Directors considered the Company's ultimate controlling party to be K Karttunen by virtue of his majority shareholding in MC Global Limited.

As disclosed in Note 21 below, the Company placed 3,330,432 new ordinary shares on 19 February 2008. As a result, MC Global Limited's beneficial interest in the shares of the Company fell below 50% and accordingly the Directors consider that subsequent to this date the Company no longer has an ultimate parent undertaking or controlling party.

During the year the Group was charged a license fee of €268,334 (2006: €15,000) by MC Global Limited, and the Group paid MCB Global Limited €283,334 (2006: €Nil), resulting in a net amount owed by MC Global Limited of €17,285 (2006: €2,285) at the end of the year. The licence fee is payable under the terms of a contract dated 18 December 2006 under which the Group has a perpetual, exclusive and irrevocable right to use the "Credit24" brand in Estonia, Lithuania, Latvia and Finland for consideration of an annual fee of €240,000 per annum, to be increased annually by the Monetary Union Index of Consumer Prices.

During the year the Group incurred €Nil (2006: €128) of expenses on behalf of MCB Holding Limited, resulting in a net amount owed by MCB Holding Limited of €7,795 (2006: €7,795) at the end of the year.

Notes to the consolidated financial statements (continued)**20 FINANCIAL INSTRUMENTS****Liquidity risk**

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

Credit risk

The Group is exposed to credit risk through its customer loans. The Group manages this risk by the verification of customer's identity, other personal and financial information, and confirmation of an acceptable credit history, and regular reviews of the outstanding loan portfolio supported by procedures to monitor and manage the repayment process which include the use of reputable and well-established credit collection agencies. If the Group's provision against its outstanding customer receivables at 31 December 2007 had been 3% higher or lower, and all other variables were held constant, then the Group's loss for the year ended 31 December 2007 would have decreased or increased by €279,000.

Currency risk

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

Interest rate risk

The Group is exposed to interest rate risk primarily from its cash deposits which, because of their short maturities, earn interest on what is effectively a floating rate basis. Short-term borrowings are also arranged on a floating rate basis when required. If interest rates had been 0.5% higher or lower, and all other variables were held constant, then the Group's loss for the year ended 31 December 2007 would have increased or decreased by €2,000, due to the Group's exposure to variable interest rates on its cash deposits. The Group's sensitivity to interest rates is mitigated by its current use of fixed-rate short-term borrowings.

21 SUBSEQUENT EVENTS

On 14 January 2008 the Company held an EGM to increase the authorised share capital to £3,000,000.

On 19 February 2008 the Company placed 3,330,432 new ordinary shares ("Placing Shares") of 10 pence each at 115p per share to raise gross proceeds of £3.8 million (€5.1 million). The Placing Shares have been allotted from the Company's existing share allotment authorities. The placing secured the equity financing required to support the Company's expected further growth for 2008 in the Fenno-Baltic markets. Investors included both current shareholders and new investors, which further expanded the Company's shareholder base.

Following the issue of the Placing Shares, the Company's issued share capital consists of 17,394,247 Ordinary Shares with a nominal value of 10 pence each.

SHAREHOLDER INFORMATION

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