

**Mobile Credit Baltic Plc**  
**(Formerly Mobile Credit Baltic Limited)**  
**Annual Report and Accounts**

**Company No. 06032184**

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## **CHAIRMAN'S STATEMENT**

### **Maiden Results for the period 18 December to 31 December 2006**

#### **Introduction**

Mobile Credit Baltic Plc (AIM: MCRB.L), the provider of immediate, short-term credit to consumers in the growing markets of Estonia, Latvia, Lithuania and Finland, floated on the AIM market of the London Stock Exchange on 16 January 2007, raising £3.8 million.

The Company today announces its maiden financial results for 2006. Since the Company was incorporated on 18 December 2006, these results relate to the 14 day period between 18 December and 31 December 2006.

#### **Business overview**

Mobile Credit Baltic is a consumer finance business providing fast, convenient, easily understood and flexible credit solutions to retail customers in Finland and the rapidly growing Baltic countries of Estonia, Latvia and Lithuania (the FENNO-BALTIC Region). The Company currently offers unsecured short-term loans of between €100 and €800, with maturities between two weeks and three months, under its Credit24-branded websites in Estonia, Finland and Lithuania. As highlighted in the Admission Document, operations will commence in Latvia during Spring 2007.

The intention of the Company is to become a leading unsecured credit provider in the FENNO-BALTIC Region. The Company differentiates itself principally through the Credit24 brand which is associated with transparent terms, ease of access and use, high quality service and the building of long term customer relationships. The Company promotes Credit24 through innovative marketing strategies designed to cost-effectively reach a large number of potential customers. The Company maintains an ongoing relationship with its customers to maximise repeat business and reduce customer acquisition costs.

The target markets of Finland, Estonia, Latvia and Lithuania are particularly well suited to the Credit24 brand and business model. They have relatively low yet fast growing levels of unsecured consumer credit, favourable business environments and are part of the European Union. Macroeconomic conditions in the Baltics are favourable with economic growth rates ranging from 7.5 per cent to 10.5 per cent per annum. Much of the GDP growth is driven by increased domestic consumption, which we believe helps drive the consumer credit market.

#### **Operational update**

The Company was incorporated on 18 December 2006 as part of the pre-IPO restructuring of the Group. Shortly thereafter it acquired Mobile Credit Baltic AS and its subsidiary undertakings (together "the Group").

On 16 January 2007, the Company floated on the AIM market of the London Stock Exchange, raising £3.8 million. The proceeds from the flotation are being used to grow the business throughout its target market. The flotation has also raised the profile of the Company, and supports its reputation as a quality, transparent provider of financial solutions to consumers in the FENNO-BALTIC region.

**CHAIRMAN'S STATEMENT (continued)**

**2006 since launch**

The Group started its lending operations in Estonia in August 2006, followed by Finland in October 2006. Until the end of 2006 the Group was exploring advertising strategies and product packages, refining its approach to its target markets before committing to a particular marketing strategy. Marketing expenditure was therefore limited during this period.

Between August and December 2006 the Group extended more than 4,000 loans in Estonia, representing a total principal loan amount in excess of €650,000, an average of 43 loans per trading day with an average loan size of €164. In Finland the Group undertook more than 3,300 loans, representing a total principal loan amount in excess of €940,000, an average of 49 loans per trading day and an average loan size of €284.

**The period under review**

During the 14 day period under review the Group generated a net loss of €53,001 on turnover of €42,821. This accords with our expectations and corresponds to a period of low trading activity prior to the completion of the Company's listing on AIM, and before the increase in marketing activities in January 2007. The balance sheet at 31 December 2006 shows net assets of €1,659,609.

**Current trading**

In 2007 the Group has accelerated its marketing activities in both Estonia and Finland, using a variety of media including web, print and TV advertising. These activities have been successful in raising the profile of the Credit24 brand and generating significantly increased sales volumes.

The Group has increased its range of loan products, which currently include loans between €100 and €320 in Estonia, and between €100 and €800 in Finland, with maturities between 2 weeks and 3 months. The Company will continue to expand its product offering to cover a wider range of customer needs.

The Group has gradually lengthened the opening hours during which customers can apply for loans, currently weekdays between 8am-8pm in Estonia and 9am-8pm in Finland. We will be further expanding opening hours to facilitate customers' access to Credit24 products.

On 8 January 2007 the Group began lending operations in Lithuania, where it is the first online provider of unsecured short-term credits in the market. After a pre-launch period during which we have tested our systems and market approach, the Group is now increasing its presence in this market through a phased increase in marketing activities, the roll-out of additional products and extended opening hours.

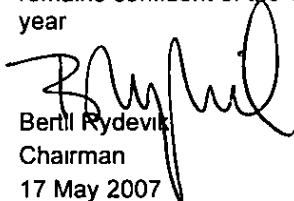
The results from the above activities have been positive and in line with the Company's expectations.

**CHAIRMAN'S STATEMENT (continued)**

**Outlook**

The increased marketing activities, the expansion of the product line and longer opening hours is having a strong positive impact on the Company's trading activities. Our continued initiatives to introduce new products and better offerings for our customers will support the growth of the Company going forward. The launch of our Latvian business during Spring 2007 will allow the Company to further increase lending volumes.

We continue to develop the business and are encouraged by the progress to date. The Board remains confident of the Group's growth prospects and our ability to meet expectations for the full year.



Bertil Rydevik  
Chairman  
17 May 2007

## **Board of Directors**

### **Executive Directors**

#### **1 Rami Ryhanen**

Chief Executive Officer (Age 39)

Prior to joining MCB, Mr Ryhanen spent 2 years as CEO of Jippii Mobile Entertainment Oy, a Mobile entertainment service provider based in Helsinki. He ran operations in 20 countries through 8 regional offices, with 72 employees focusing on selling mobile content directly to consumers. He drove a return to profitability and led the sale process of Jippii to Itouch plc, the UK listed company. Throughout his career he has focused on sales and marketing related roles in consumer facing companies. He has previously been CEO of Small Planet Limited and Customer Relationship Director of Sonera Oy. He has also served Oy AGA Ab for 9 years in multiple senior management positions, mainly in sales and marketing. He holds an MBA from IMC.

#### **2. Henry Nilert**

Chief Financial Officer (Age 35)

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 and acted as COO of iobox, a wireless software applications company based in the UK and Finland. As COO he supported the development of iobox from startup to a business with 1 million users and 120 employees in 4 countries. He participated in the sale of the business for €230 million to Terra Mobile SA (part of Telefonica Group), where he spent 1.5 years as Senior Vice President of Business Development. Mr Nilert previously worked for 5 years in investment banking at CSFB (London and New York) and Evli Corporate Finance (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 54)

In September 2006 Mr Rydevik was appointed as 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 Dennis Malamatinas**

Non-Executive Director (Age 52)

Mr Malamatinas currently acts as Chairman to Metro International SA. Metro is the largest and fastest growing international newspaper group in the world with 18.5 million daily readers. He is also Chairman and co-founder of Philox Limited, Europe's first pan-European students' online social network. He has previously served as the worldwide CEO of Burger King Corporation, the world's second largest hamburger restaurant chain with \$11 billion revenues, 11,000 restaurants and 330,000 employees systemwide. He has also served as the founding CEO and Chairman of Priceline Europe and co-CEO of Marfin Bank. He was a Director of Diageo Plc and non-executive Director of Reuters Plc.

**Board of Directors (continued)**

**5 Dr Anton Mayr**

Non-Executive Director (Age 44)

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 Doctor (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.

**6. Richard Parkinson**

Non-Executive Director (Age 39)

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.

## **DIRECTORS' REPORT**

**For the period ended 31 December 2006**

The Directors present their first report and the audited consolidated financial statements of the Group for the period ended 31 December 2006

### **Principal activities**

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**

The Company was incorporated on 18 December 2006 as Mobile Credit Baltic Limited, and re-registered as a public limited company on 4 January 2007

On 19 December 2006 the Company acquired the entire issued share capital of Mobile Credit Baltic AS, as further detailed in Note 10 (B) to the financial statements on page 21

A review of 2006, together with likely future developments, is contained in the Chairman's Statement on pages 2 to 4

### **Results and dividends**

The loss for the period to 31 December 2006 attributable to shareholders was €53,001, as set out in the consolidated income statement on page 12. The Directors do not propose the payment of a dividend

The capital structure of the Company is detailed in Note 12 to the financial statements on page 22

### **Directors**

Biographies of the Directors who served during the period are set out on pages 5 and 6

### **Directors' interests**

At the end of the period none of the Directors had any direct interests in the Company's Shares, which were all held by MCB Holding Limited. At the end of the period the Directors had the following interests in MCB Holding Limited

Ramı Ryhänen	1 1	% (a)
Henry Nilert	4 84	%
Bertil Rydevik	3 11	%
Dennis Malamatinas	2 77	%
Dr Anton Mayr	-	
Richard Parkinson	11 35	% (b)

(a) Held through Solotel Oy, a company in which Ramı Ryhänen has an 80% interest

(b) Held through Orient Equity Partners Limited, a company in which Richard Parkinson has a 51.22% interest

In addition, subsequent to the end of the period Henry Nilert and Dennis Malamatinas held 53,333 and 110,666 Ordinary shares of 10p each following the Placing and the Admission of the Company's shares to trading on AIM

### **Donations**

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



**DIRECTORS' REPORT (continued)**

**For the period ended 31 December 2006**

**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 page 25

**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 2006 the average creditor days were 45

**Significant shareholdings**

As at 17 May 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%
Europanel AB	1,000,000	7.1%
Hansabank	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.

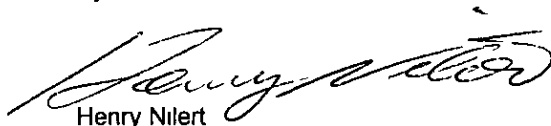
**Auditors**

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 the Company's operational office at Narva mnt 13, 4th floor, 10151 Tallinn, Estonia at 11 a.m. on the 19th of June 2007. The notice of meeting enclosed with this report contains no item of special business.

By Order of the Board



Henry Nilert

**Company Secretary**

65 Duke Street  
London  
W1K 5NT

17 May 2007

**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 10 and 11, 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 period ended 31 December 2006**

We have audited the Group and Parent Company financial statements (the "financial statements") of Mobile Credit Baltic Plc for the period ended 31 December 2006 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 2006 and of the Group's loss for the period 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 2006,
- 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  
24 Bevis Marks  
London  
EC3A 7NR



17 May 2007

**CONSOLIDATED INCOME STATEMENT**  
**For the period from 18 to 31 December 2006**

	Note	2006 €
<b>Revenue</b>	2	42,821
Administrative expenses		(94,350)
<b>Operating loss</b>	3	(51,529)
Finance costs	5	(1,472)
<b>Loss on ordinary activities before taxation</b>		(53,001)
Taxation	6	-
<b>Loss on ordinary activities after taxation attributable to the equity shareholders of the parent company</b>		(53,001)
		2006 €
Basic and diluted earnings per Ordinary share		(0 005)

All of the activities of the Group during the period are classed as acquired

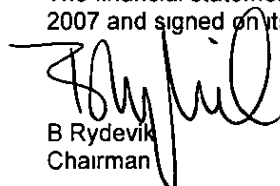
There are no recognised gains or losses except as included in the consolidated income statement, and therefore a statement of recognised income and expense has not been prepared

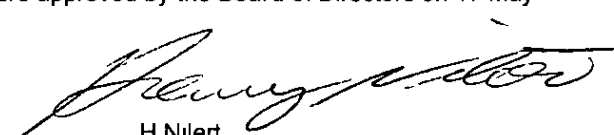
The accompanying notes on pages 16 to 25 form an integral part of these financial statements

**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2006**

	Note	€	2006 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	8	737,723	
Intangible assets	8	180,734	
Property, plant and equipment	9	8,265	
<b>Total non-current assets</b>			926,722
<b>Current assets</b>			
Trade and other receivables	11	1,177,413	
Cash and cash equivalents		273,549	
<b>Total current assets</b>			1,450,962
<b>Total assets</b>			<u>2,377,684</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	12	1,712,610	
Retained earnings	13	(53,001)	
<b>Total equity</b>	13		1,659,609
<b>Current liabilities</b>			
Trade and other payables	14	459,702	
Short-term borrowings	15	258,373	
<b>Total current liabilities</b>			718,075
<b>Total equity and liabilities</b>			<u>2,377,684</u>

The financial statements on pages 12 to 25 were approved by the Board of Directors on 17 May 2007 and signed on its behalf by

  
B Rydevik  
Chairman

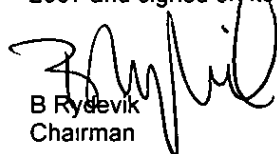
  
H Nilert  
Chief Financial Officer

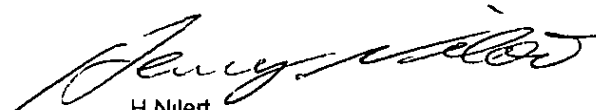
The accompanying notes on pages 16 to 25 form an integral part of these financial statements

**COMPANY BALANCE SHEET**  
**As at 31 December 2006**

	Note	€	2006 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	10	1,712,610	
<b>Total non-current assets</b>			1,712,610
<b>Current assets</b>			
Cash and cash equivalents		139	
<b>Total current assets</b>			139
<b>Total assets</b>			<u>1,712,749</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	12	1,712,610	
<b>Total equity</b>	13		1,712,610
<b>Current liabilities</b>			
Trade and other payables	14	139	
<b>Total current liabilities</b>			139
<b>Total equity and liabilities</b>			<u>1,712,749</u>

The financial statements on pages 12 to 25 were approved by the Board of Directors on 17 May 2007 and signed on its behalf by

  
B Rydevik  
Chairman

  
H Nilert  
Chief Financial Officer

The accompanying notes on pages 16 to 25 form an integral part of these financial statements

**CASH FLOW STATEMENTS**  
**For the period from 19 to 31 December**  
**2006**

	<b>Note</b>	<b>€</b>	<b>Group</b> <b>€</b>	<b>Company</b> <b>€</b>
<b>Cash flow (used in) / generated by operating activities</b>				
Cash used in operations	16	(90,546)		139
Interest (paid)		(1,472)		-
<b>Cash flow (used in) / generated by operating activities</b>			(92,018)	139
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment		(7,218)		-
Purchase of subsidiary undertaking		372,785		-
<b>Cash flow from investing activities</b>			365,567	-
<b>Increase in cash and cash equivalents</b>			<b>273,549</b>	<b>139</b>

The accompanying notes on pages 16 to 25 form an integral part of these financial statements



## **Notes to the financial statements**

### **1 ACCOUNTING POLICIES**

#### **Basis of preparation**

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

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union. IFRS1 reconciliations from a previous GAAP have not been presented as this is the Group's first set of financial statements since incorporation. 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. The early adoption of IFRS7 and IFRS8 has not been reflected in these financial statements and their effect is not expected to be material.

#### **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.

#### **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 profit and loss account. 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.

#### **Tangible fixed assets**

Tangible fixed assets 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.

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the income statement.

**Notes to the 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 profit or loss account based on historical experience.

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.

Trade payables are measured at cost.

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

**Turnover**

Turnover represents fees receivable for loans granted during the period. Fees are recognised on a straight-line basis over the period of the related loan.

**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 €1.48516 / £1.

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

**1 ACCOUNTING POLICIES (continued)**

**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.

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 SEGMENTAL INFORMATION**

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

Period from 18 to 31 December 2006

	Turnover	Operating loss	Assets	Liabilities
	€	€	€	€
Baltics	17,372	(47,308)	1,485,695	(482,473)
Finland	25,449	(4,221)	891,989	(235,602)
	<u>42,821</u>	<u>(51,529)</u>	<u>2,377,684</u>	<u>(718,075)</u>

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

**3 OPERATING LOSS**

Operating loss is stated after charging

**Period from 18 to 31 December 2006**  
€

Staff costs (see Note 4)	27,744
Auditors' remuneration	
- Audit work	20,140
- Tax services	1,530
Amortisation of intangible fixed assets (see Note 8)	1,729
Depreciation of property, plant and equipment (see Note 9)	16
	<u>          </u>

**4 DIRECTORS AND EMPLOYEES**

Staff costs including directors' emoluments

**Period from 18 to 31 December 2006**  
€

Wages and salaries	22,108
Social security costs	5,636
	<u>          </u>
	27,744

Average monthly number employed including executive directors

**Period from 18 to 31 December 2006**  
Number

Senior management	2
Support staff	14
	<u>          </u>
	16

**Period from 18 to 31 December 2006**  
€

Directors' emoluments	<u>10,579</u>
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**5 FINANCE COSTS**

**Period from 18 to 31 December 2006**  
€

Interest receivable on bank deposits	(635)
Interest payable on bank borrowings	2,107
	<u>          </u>
	1,472

**6 TAXATION**

No corporation tax arises in Estonia unless a distribution is made, and so as no distribution has been made in the period no liability to corporation tax arises. There is no tax charge for the period in respect of the Group's Finnish subsidiary undertaking due to its loss for the period. A deferred tax asset on these losses of approximately €1,000 has not been provided in these accounts.

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

**7 EARNINGS PER ORDINARY SHARE**

The calculation of basic earnings per ordinary share is based on

The weighted average number of Ordinary shares in issue during the period 10,644,449

The loss for the period (€) (53,001)

There were no dilutive financial instruments in issue during the period

**8 INTANGIBLE FIXED ASSETS**

Group	Software €	Goodwill €	Total €
<b>Cost</b>			
Acquisitions	182,463	737,723	920,186
At the end of the period	<u>182,463</u>	<u>737,723</u>	<u>920,186</u>
<b>Amortisation</b>			
Charge for the period	1,729	-	1,729
At the end of the period	<u>1,729</u>	<u>-</u>	<u>1,729</u>
<b>Net book value</b>			
At the end of the period	<u>180,734</u>	<u>737,723</u>	<u>918,457</u>

**9 PROPERTY, PLANT AND EQUIPMENT**

Group	Office equipment €
<b>Cost</b>	
Acquisitions	1,063
Additions	7,218
At the end of the period	<u>8,281</u>
<b>Amortisation</b>	
Charge for the period	16
At the end of the period	<u>16</u>
<b>Net book value</b>	
At the end of the period	<u>8,265</u>

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

**10 INVESTMENTS IN SUBSIDIARIES**

Company	€
Acquisitions	1,712,610
	<u>1,712,610</u>

**A SUMMARY OF PRINCIPAL SUBSIDIARY UNDERTAKINGS**

During the period the Company acquired 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 Mobile Credit Estonia Oü, a company incorporated in Estonia, which provides financial services

Mobile Credit Baltic AS also owns 100% of the issued share capital of UAB Mobile Credit Baltic, a company incorporated in Lithuania, which provides financial services

Mobile Credit Estonia Oü owns 100% of the issued share capital of Mobile Credit Nordic Oy, a company incorporated in Finland, which provides financial services

**B ACQUISITION OF MOBILE BALTIC CREDIT AS**

The consolidated profit and loss account and consolidated cash flow statement include the results for Mobile Credit Baltic AS and its subsidiary undertakings from 19 December 2006, the date of acquisition. The fair values, which equalled the book values, of the assets and liabilities acquired were as follows

	Consideration €	Fair value €	Goodwill €
Shares issued	1,712,610	-	-
Intangible fixed assets	-	182,463	-
Property, plant and equipment	-	1,063	-
Trade and other receivables	-	1,129,231	-
Cash and cash equivalents	-	372,785	-
Trade and other payables	-	(452,282)	-
Short-term borrowings	-	(258,373)	-
	<u>1,712,610</u>	<u>974,887</u>	<u>737,723</u>

**11 TRADE AND OTHER RECEIVABLES**

	Group €
Customer loan receivables	1,111,542
Other receivables	65,871
	<u>1,177,413</u>

Customer loan receivables are stated net of bad debt provisions of €70,949

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

**12 CALLED UP SHARE CAPITAL**

	Number	€
<b>Authorised</b>		
Ordinary shares of 10p each	<u>20,000,000</u>	<u>2,970,320</u>
<b>Issued and fully paid</b>		
Ordinary shares of 10p each	<u>11,531,486</u>	<u>1,712,610</u>

**A SHARE ISSUES DURING THE PERIOD**

The Company was incorporated on 18 December 2006, with an authorised share capital of 15m Ordinary shares of 10p each

One share was issued upon incorporation unpaid Pursuant to a share for share exchange agreement dated 19 December 2006 entered into between the Company and MCB Holding Limited, the sole shareholder in Mobile Credit Baltic AS, the Company acquired the entire issued share capital of Mobile Credit Baltic AS in consideration for the issue and allotment to MCB Holding Limited of 11,531,485 ordinary shares and crediting as fully paid the one ordinary share in the capital of the Company already held by MCB Holding Limited

On 19 December 2006 a resolution was passed to increase the authorised share capital by 5m new Ordinary shares of 10p each, ranking *pari passu* with the existing shares in the Company

**B SHARE OPTION SCHEMES**

Subsequent to the end of 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 2009 The option holders have an obligation to reimburse any income tax paid by the Company in connection with the exercise of the option

	Number	Exercise price	Expiry
Directors	482,000	41p	31 December 2011
	482,000	150p	31 December 2011
Employees	279,000	150p	31 December 2011
	<u>1,243,000</u>		

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

**13 STATEMENT OF CHANGES IN EQUITY**

<b>Group</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>
At the start of the period	-	-	-
New share capital subscribed	1,712,610	-	1,712,610
Loss for the financial period	-	(53,001)	(53,001)
	<hr/>	<hr/>	<hr/>
At the end of the period	1,712,610	(53,001)	1,659,609
<b>Company</b>			<b>Share Capital</b>
			<b>€</b>
At the start of the period			-
New share capital subscribed			1,712,610
			<hr/>
At the end of the period			1,712,610

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 received no income and incurred no expenses during the period and the result for the period is therefore €Nil

**14 TRADE AND OTHER PAYABLES**

	<b>Group</b>	<b>Company</b>
	<b>€</b>	<b>€</b>
Trade creditors	87,299	-
Amounts due to group undertakings	-	139
Other taxation and social security	163,431	-
Other creditors	72,171	-
Accruals	50,501	-
Deferred income	86,300	-
	<hr/>	<hr/>
	459,702	139

**15 SHORT TERM BORROWINGS**

	<b>Group</b>
	<b>€</b>
Bank loans and overdrafts	158,373
Other borrowings	100,000
	<hr/>
	258,373

The bank loans are secured by a floating charge over the Group's outstanding loans. The other borrowings were unsecured and were repaid by 28 February 2007



Notes to the financial statements (continued)

**16 NOTES TO THE CASH FLOW STATEMENT**

**A RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS**

	Group €	Company €
Operating loss	(51,529)	-
Depreciation	16	-
Amortisation	1,729	-
Increase in debtors	(48,182)	-
Increase in creditors	7,420	139
	(90,546)	139

**B ANALYSIS OF CHANGES IN NET FUNDS**

	Cash flows €	At end of period €
<b>Group</b>		
Cash at bank and in hand	273,549	273,549
	273,549	273,549
<b>Net funds</b>		

	Cash flows €	At end of period €
<b>Company</b>		
Cash at bank and in hand	139	139
	139	139
<b>Net funds</b>		

**17 RELATED PARTIES**

The Directors consider the Company's immediate parent undertaking to be MCB Holding Limited, a company incorporated in Malta, which owns 82% of the Company's issued share capital. The Directors consider the Company's ultimate parent undertaking to be MC Global Limited, a company incorporated in Malta, which is the ultimate parent undertaking of MCB Holding Limited. The Directors consider the Company's ultimate controlling party to be Mr Kai Karttunen by virtue of his majority shareholding in MC Global Limited.

The assets acquired by the Group included €17,285 owed by MC Global Limited. During the period the Group was charged a license fee of €15,000 by MC Global Limited, resulting in a net amount owed by MC Global Limited of €2,285 at the end of the period. The licence fee is payable under the terms of a contract dated 19 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.

The assets acquired by the Group included €7,667 owed by MCB Holding Limited. During the period the Group incurred €128 of expenses on behalf of MCB Holding Limited, resulting in a net amount owed by MCB Holding Limited of €7,795 at the end of the period.

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

**18 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, 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 include the use of reputable and well-established credit collection agencies.

**Currency risk**

The Group currently operates only 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.

**19 SUBSEQUENT EVENTS**

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.

**SHAREHOLDER INFORMATION**

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