MCB Finance Group Plc

Annual Report and Accounts

For the year ended 31 December 2011

Company No. 06032184

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THE YEAR IN REVIEW

Final results for the 12 months ended 31 December 2011

MCB Finance Group Plc (AIM MCRB L) ("MCB", the "Group" or the "Company"), the consumer finance company providing flexible credit solutions to retail customers in Finland, Estonia, Latvia and Lithuania, today announces its results for the 12 months ended 31 December 2011

Operational and financial highlights

- Principal lent grew 66% to €60 0 million (2010 €36 million)
- Revenue grew 54% to €18 2 million (2010 revenue €11 8m)
- Pre-tax profit of €3 7 million (2010 €0 6 million)
- Net income of €3 0 million (2010 €0 2 million)
- Return on equity of 32 5% Return on assets of 20 3%
- Net consumer loan receivables outstanding at 31 December 2011 grew by 85% to €22 4 million (2010 €12 1 million)
- Credit quality remained strong with impairment down to 16% of revenue (2010 24%)
- Continued profitable growth expected into 2012

Business overview

MCB Finance Group Plc is a consumer finance company providing fast, convenient, easily understood and flexible credit solutions under the Credit24 brand to retail customers in Finland and the Baltic countries of Estonia, Latvia and Lithuania In its markets, the Company is a leading participant in the non-bank consumer credit sector, providing unsecured loans up to €2,000 to qualifying customers, with maturities ranging up to two years Loan products are designed to suit customers' needs, with simple and transparent terms and flexible repayment schedules The Company operates in a segment of the market that is typically under-served by larger financial institutions, and is focused on serving high quality customers with strong credit histories

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

OPERATIONAL REVIEW

MCB Finance delivered strong lending volume growth during 2011 as a result of continued active marketing activities in all markets and further improvements to the product offering Loan principal extended to customers during the year totalled €60m, up 66% from 36m in 2010 Credit performance remained very strong with impairment as a percentage of revenue of 16%, down from 24% in 2010 This growth, together with strong credit performance and controlled increases in fixed costs allowed the Group to generate EBT of €3 67m (2010 €0 58m) and net income of €2 97m for the year (2010 €0 23m)

Economic environment

Economic conditions in all four markets in which the Group operates have been strong with GDP growth well above the average in EU markets Unemployment levels have decreased markedly from previous highs, declining during the year from approximately 17% to 15% in Lithuania and Latvia, from 15% to 11% in Estonia, and from 8 0% to 7 5% in Finland While economic conditions have continued to improve, we have remained vigilant and maintained a cautious approach to the Group's lending criteria

THE YEAR IN REVIEW (continued)

GDP Growth

	2010	2011F	2012F	2013F
Finland	3 7%	3 1%	1 4%	1 7%
Estonia	2 3%	8 0%	3 2%	4 0%
Latvia	-0 3%	4 5%	2 5%	4 0%
Lithuania	1 4%	6 1%	3 4%	3 8%
EU average	2 0%	1 6%	0 6%	1 5%

Source Eurostat 31/1/2012

Lending volumes

The Group extended a total of €60 0m in loan principal during the year, up 66% from €36m in 2010 €25 7m of principal was lent in the first half (2010 €16 2m) and €34 3m was advanced in the second half (2010 €19 8m), a 33% increase over the first half of the year The year-on-year growth is a result of sustained marketing activities and positive customer response from the introduction of a number of innovative loan services

Finland accounted for approximately 47% of lending volumes, followed by Lithuania (30%), Estonia (14%) and Latvia (9%) In Finland the Group lent €28 0m, up 31% from €21 3m in 2010 Lending volumes in Estonia were €8 6m, up 55% from €5 5m in 2010 In Lithuania the Group lent €17 8m, a 105% increase over €8 7m in 2010 After re-launching the business in late 2010, the Group lent €5 6m in Latvia during 2011, up ten-fold from €0 5m in 2010

Loan principal issued

(€ thousands)	2011	2010	2H 2011	1H 2011	2H 2010	1H 2010	2010-2011 growth
Finland	28,026	21,318	15,050	12,976	11,656	9,662	31%
Estonia	8,626	5,548	5,093	3,533	2,972	2,576	55%
Lithuania	17,771	8,652	10,554	7,217	4,786	3,866	105%
Latvia	5,565	527	3,564	2,001	387	140	956%
Group	**59,988**	**36,045**	**34,261**	**25,727**	**19,801**	**16,244**	**66%**

Credit quality

The credit quality of MCB's ongoing lending operations remained strong Provisions for impairment related to our continuing lending operations represented 24% of revenue, in line with our expectations We expect impairment from our current lending activities to remain at similar levels as a percentage of revenue going forward

During the year we continued to see strong recoveries from aged receivables over two years in arrears, for which the Company maintains active monitoring and collection During the year write-backs from the collection of these aged receivables totalled €1 45m, primarily from the Baltics

THE YEAR IN REVIEW (continued)

As a result, total impairment, after net credit write-backs, as a percentage of revenue was 16% during the period, down from 24% of revenue in 2010 Details of the Group's impairment are provided below

Impairment

(€ thousands)	2011	2010
Provisions for impairment related to continuing lending operations	4,356	3,238
as % of revenue	24 0%	27 5%
Net credit write-backs	1,454	434
Provision charged to statement of comprehensive income	2,901	2,805
as % of revenue	16 0%	23 8%

Net credit write-backs by country were as follows Finland €11k (2010 €360k), Estonia €509k (2010 €132k), Lithuania €421k (2010 €162k) and Latvia €513k (2010 -€220k)

The trend in credit write-backs is a result of the Company's conservative receivables write-off policies and continued strong recoveries of receivables in arrears We expect write-backs to continue impacting our accounts positively going forward, however at a lower level

The strong credit performance is a testament to the quality of MCB's customer base and the Group's rigorous credit extension, monitoring and collection processes We have maintained strict credit criteria throughout the year in all markets, keeping default rates below target levels Our credit criteria are continually reviewed based on analysis of lending and repayment data

Product development

The Group made a number of improvements to its consumer offering during the year, including new loan products and a complete upgrade of its customer service websites In Finland the Group introduced a wider range of longer maturity (6-12 months) loans to qualifying customers, and we expanded our product range in Latvia in line with the positive development of the business here Starting in the second half of the year the Company introduced significantly improved customer service websites with improved product presentation, application and self-service functionality Credit24 continues to set the benchmark in the industry for its wide selection of flexible consumer loans, excellent customer service, and an overall reputation as a transparent and trustworthy provider of financial services

The Group currently offers loans up to €2,000 and with maturities up to 24 months Average maturities are currently between six and seven months Over time we expect to continue to gradually expand the product range into longer maturities, subject to market conditions and availability of capital

During 2012, in addition to its current offering of online instalment loans, the Group will consider entering additional non-bank financing segments with attractive characteristics

Financial performance

Revenue for the 12 months ended 31 December 2011 grew 54% to €18 12m (2010 €11 78m), as a result of the sustained lending volume growth in all markets Revenue in 2H 2011 was €10 21m, up 28 1% from €7 97m in 1H 2011

Impairment totalled €2 90m for the period, or 16% of revenue, down from €2 81m or 24% of revenue during 2010 The continued low impairment reflects the very strong credit performance of the Company's loan portfolio, itself a result of the Group's strict credit policies and focus on serving high quality customers with strong credit histories

THE YEAR IN REVIEW (continued)

Direct operating expenses are costs which are directly related to the Group's lending operations, including loan processing, monitoring and collections These were €3 02m in 2011 (2010 €2 17m) Administrative expenses include overhead, marketing and other expenses related to the Group's business Proforma administrative expenses were €7 39m (2010 €5 50m) as a result of increased marketing expenses and other costs required to support the growth of the business going forward Net finance costs were €1 20m (2010 €0 73m) as the Group drew more from its financing facility to support the growing loan portfolio

The proforma pre-tax profit for the period was €3 67m (2010 €0 58m), a significant increase resulting from higher lending volumes and revenue, and the significant operational leverage available from the Group's organisation Proforma net profit for the period was €2 97m (2010 €0 23m) The proforma figures above exclude non-cash charges in relation to employee share options These totalled €94,216 during 2011

All markets contributed positively to Group results Pre-tax profit of MCB's Finnish country operations was €2 32m (2010 €1 97m), Estonia €1 34m (2010 €0 51m), Latvia €0 46m (2010 -€0 42m), and Lithuania €2 10m (2010 €0 71m) Central costs, which include Group management, financial and credit control, and systems development and maintenance, among others, were -€2 55m (2010 -€2 19m)

The Company continued to improve the profitability of its lending operations compared to earlier periods Net revenue (defined as revenue less impairment) as a percentage of average net customer loan receivables outstanding was 88% in 2011, up from 80% in 2010, a result of lower impairment and further improvements to the Company's lending margins

The Group's return on equity increased to 32 5% during the period (2010 3 1%), in line with the Group's long-term targets Return on assets was 20 3% (2010 6 2%) The strong return on assets is a testament to the Company's strong business model and tight control over credit risk

THE YEAR IN REVIEW (continued)

Summary financials

(€ thousands)	2011	2010	2009	2H 2011	1H 2011	2H 2010	1H 2010
Principal lent	59,988	36,045	40,424	34,261	25,727	19,801	16,244
Revenue	**18,182**	**11,783**	**15,668**	**10,214**	**7,968**	**6,194**	**5,589**
Impairment	-2,901	-2,805	-7,764	-1,783	-1,118	-1,171	-1,634
Direct operating expenses	-3,022	-2,173	-2,060	-1,651	-1,371	-1,162	-1,011
Proforma Administrative expenses	-7,389	-5,503	-5,156	-3,960	-3,429	-3,028	-2,475
Net interest expenses	-1,200	-725	-1,322	-746	-454	-330	-395
Proforma EBT (loss)	**3,670**	**577**	**-634**	**2,074**	**1,596**	**503**	**74**
Proforma net income (loss)	2,967	234	-1,056	1,708	1,259	369	-135
Net customer loan receivables [1]	22,360	12,052	12,811	22,360	16,312	12,052	10,634
Average net customer receivables	17,301	11,165	17,450	19,865	14,740	10,842	11,487
Borrowings	13,700	5,200	6,460	13,700	8,700	5,200	4,700
Total equity	10,586	7,700	7,467	10,586	8,960	7,700	7,332
Key metrics							
Return on equity	32 5%	3 1%	-13 2%	17 5%	15 1%	4 9%	-1 8%
Return on assets [2]	20 3%	6 2%	1 4%	10 7%	9 8%	4 8%	1 7%
Revenue as % of avg net receivables [3]	105%	106%	90%	103%	108%	114%	97%
Net revenue as % of net receivables [4]	88%	80%	45%	85%	93%	93%	69%
Impairment as % of revenue	16%	24%	50%	17%	14%	19%	29%
Debt / assets	53%	34%	40%	53%	44%	34%	33%
Debt / receivables	61%	43%	50%	61%	53%	43%	44%

(1) Amounts receivables from customers, net of impairment
(2) Net income + interest / average total assets per year end
(3) Half year figures are annualised
(4) Revenue less impairment as % of avg loan receivables Annualised

Taxation

The Company accrued a €0 70m (2010 €0 34m) tax liability for the year, primarily from its Finnish and Lithuanian operations No corporation tax arises in Estonia unless a distribution is made The Group's Latvian operations will continue to benefit from tax losses carried forward for some time

THE YEAR IN REVIEW (continued)

Balance sheet

At the end of the period net customer loan receivables totalled €22 36m (net of impairment), up from €12 05m at the end of 2010 Average net customer loan receivables during 2011 were €17 30m, up 55% from €11 17m during 2010 The relatively low receivables balance compared the volumes of lending during the year (€59 99m) reflect the Group's average customer loan maturity of between six and seven months, which allow the Company to re-deploy capital and generate high returns on capital deployed to lending operations

At the end of the year MCB had debt drawn of €13 70m (2010 €5 20m) under its €17m credit facility Cash at year-end was €2 17m (2010 €1 95m) The Group maintained a strong balance sheet with debt as a percentage of total assets of 53% (2010 34%), and debt as a percentage of net receivables of 61% (2010 43%) The equity ratio (equity as a percentage of total assets) was 41% at the end of the year

The Group's debt and equity capital is used to finance a strongly cash generative and revolving customer loan portfolio which currently generates cash inflows in excess of €18m per quarter (Q4 2011)

During the year the shareholders approved a reduction in the Company's capital whereby the consolidated share premium account was reduced by €3,852,264 from €8,453,870 to €4,601,606 The retained earnings account was increased by the same amount

In addition, a share buyback was approved of 700,000 of the Company's 10p Ordinary shares at 10p reducing the number of Ordinary shares from 17,394,247 to 16,694,247 The buyback and subsequent cancellation of these 700,000 shares has the effect of increasing the shareholders' percentage of the Company by 4 02% (see Note 12)

Financing

At the time of its preliminary results announcement the Company disclosed that it had agreed with Rietumu Bank the yearly extension of its €17m revolving credit facility to the end of March 2014 The facility was previously scheduled to mature in March 2012 The interest on amounts drawn will be reduced to 12 5% starting April 2012, compared to the current 13%

At the time of the announcement we also mentioned that one of the main constraints to growth into new markets and market segments is further access to adequate debt capital to finance a profitable and growing loan portfolio, and that the Company was exploring the possibility to expand its access to debt financing through the issuance of corporate bonds or other debt-related instruments

On the 8th of March the Company completed a SEK 200 million (Euro 22 4 million) asset backed bond issue to investors in the Nordic region The issue constituted a first closing under a bond facility through which the Company can raise up to SEK 500 million (Euro 56 million)

The Company will use the proceeds of this first bond issue to refinance its €17 million credit facility with Rietumu bank and, together with further expected issues, provide additional funding for the continued growth of the Group's consumer loan portfolio in both current and new markets

The bonds rank as senior obligations of the Company and are secured against the Company's outstanding customer loan receivables They were issued at par, have a maturity of three years and carry a fixed coupon of 13% per annum, paid quarterly in arrears The bonds will be affiliated to Euroclear and listed on the Corporate Bond List of NASDAQ OMX prior to 1 July 2012

ABG Sundal Collier AB, based in Stockholm, Sweden, acted as lead manager for the bond issue

The bond issue has allowed the Group to secure longer term finance than has hitherto been available to us, and is expected to greatly increase the Group's flexibility to raise additional funds in due course The successful bond issue underlines bond investors' confidence in the credit quality of the Group and will enable the Group to pursue its growth plans in current and new markets

THE YEAR IN REVIEW (continued)

Regulation and legislation

In April 2011, with follow-up legislation in January 2012, Lithuania introduced a strengthened regulatory regime including certain annual percentage rate limitations These had a generally positive impact on the business as they favoured the longer-maturity, lower annual percentage rate products offered by the Company compared to those of certain competitors In November Latvia introduced registration requirements for non-bank lenders similar to those in place and followed by the Company in Finland, Estonia and Lithuania These were met and the Company is now a licensed consumer lender in Latvia In Finland the Ministry of Justice recently established a working group with the purpose of reviewing current legislation related to the granting of distance and instant loans This process is expected to lead to some changes to the regulatory environment in Finland The Company maintains an active role in this and other regulatory processes, and remains confident of its ability to comply fully with our obligations in this regard

New markets

The strong growth in lending volumes during the year compelled the Group to focus its available capital on current markets during 2011, to good effect MCB Finance has a strong central organisation with a demonstrated capability to cost-effectively manage lending operations in multiple countries During the year MCB Finance has continued to make preparations for expansion of the business into additional markets beyond the current four, including possibly Australia, New Zealand and/or the Nordics (Sweden, Norway, Denmark) Any market expansion is subject to the Group having secured sufficient debt capital on attractive terms to finance a growing loan portfolio

When considering new markets MCB takes into consideration a number of factors, including the regulatory environment, the availability of consumer and credit data, online penetration, market size, and the structure and competitive landscape in the consumer lending market, among other criteria

MCB's four current markets are relatively small with a combined population of 12 million people These four markets contributed €6 22m of EBT to Group profitability during the year (2010 €2 76m) We expect their contribution to continue to grow strongly in the coming year, in line with current run-rates Over time, we expect the Group's entry into larger markets uniquely suited to the Company's business model will offer the Group significant additional opportunities for expansion and enhanced profitability

Outlook

The Group's results during 2011 reflect its strong market position, robust organisation and attractive business model The current business is experiencing strong lending volume run rates and we expect continued growth in current markets going forward, however naturally at lower rates We expect profit margins in current markets to remain at or above current levels as operations continue to benefit from operational leverage

In current markets we will continue to improve the product and service offering as we roll-out further improvements to our customer-facing websites, and continue to expand the product range

Additionally, the Group is focused on making preparations for launching new markets during 2012, subject to the availability of sufficient debt capital to finance a profitable loan portfolio

The last two years have allowed the Company to demonstrate the strength of its business model and its capacity for profitable growth The Board believes the time is right to invest in the growth of the business into new markets and segments in order to take advantage of the very significant opportunities available in the non-bank consumer lending market

THE YEAR IN REVIEW (continued)

REVIEW OF COUNTRY OPERATIONS

MCB Finance's current operations in Finland, Estonia, Latvia and Lithuania together contributed €6 22m in pre-tax profits in 2011, excluding Group central costs, an increase of 125% from €2 76m in 2010 All countries were profitable during the year, including Latvia which was re-launched late 2010

MCB's central organisation, based in Tallinn and Helsinki, comprises its senior management, credit and financial control, systems development and maintenance, and other key functions Total costs for the central organisation were €2 55m in 2011, up slightly from €2 19m in 2010

Profit before tax

(€ thousands)	2011	2010	2009	2010-2011 change
Finland	2,319	1,966	1,606	18%
Estonia	1,340	507	198	164%
Latvia	463	-421	-868	n/a
Lithuania	2,101	711	664	196%
Total established markets	**6,224**	**2,763**	**1,600**	125%
Central costs	-2,554	-2,186	-2,234	17%
Group profit before tax	**3,670**	**577**	**-634**	536%

Finland

Finland is the Group's largest market, representing 47% of principal lent during 2011, down from 59% during 2010 Finland continued to grow profitably during the year Lending volumes increased 31% while EBT reached €2 32m, up from €1 97m in 2010 The expansion of the product range and launch of the new customer service website during the year were well received Provisions were 28% of revenue, within the Group's target range Direct and administrative costs rose 27% primarily as a result of higher marketing spend supporting higher lending volumes

Finland

(€ thousands)	2011	2010	change
Loan principal issued	28,026	21,319	31%
Net customer loan receivables	9,023	6,286	44%
Revenue	7,400	5,503	34%
Impairment	-2,083	-1,206	73%
as % of revenue	28 1%	21 9%	
Direct and admin costs	-2,552	-2,008	27%
Finance costs	-447	-323	38%
Profit before tax	**2,319**	**1,966**	18%
as % of revenue	31 3%	35 7%	

Credit24 remains well positioned in the Finnish market with a strong and positive marketing message, one of the widest product offerings in the market and excellent customer service We expect continued positive development in the Finnish market during 2012

THE YEAR IN REVIEW (continued)

Estonia

Lending volumes in Estonia grew 55% during the year, to €8 6 million, making MCB one of the largest non-bank lenders in a relatively small market of 1 3 million people Country EBT grew 164% to €1 34m, from €0 51m in 2010 The low impairment reflects the very strong credit performance in this market Direct and administrative costs were increased to support lending volume growth

Estonia *(€ thousands)*	2011	2010	change
Loan principal issued	8,626	5,548	55%
Net customer loan receivables	3,897	1,884	107%
Revenue	3,397	2,336	45%
Impairment	-157	-470	-67%
as % of revenue	4 6%	20 1%	
Direct and admin costs	-1,666	-1,241	34%
Finance costs	-234	-118	98%
Profit before tax	**1,340**	**507**	164%
as % of revenue	39 5%	21 7%	

In Estonia Credit24 is one of two largest participants in a competitive market We see continued opportunities for growth in this market, although at a more moderate pace, as we continue to expand and develop our product offering

Latvia

Latvia developed positively after the Group re-launched its operations in this market late 2010 Lending volumes grew to €5 56m, a ten-fold increase over 2010 The country returned to profitability, contributing EBT of €0 46m to the Group Impairment benefited from strong write-backs of receivables previously written-off during the 2009 financial crisis We expect provisioning levels to be more normalised going forward Direct and administrative costs grew as we resumed marketing activities in connection with the re-launch

Latvia *(€ thousands)*	2011	2010	change
Loan principal issued	5,565	527	957%
Net customer loan receivables	2,231	268	732%
Revenue	1,630	569	186%
Impairment	142	-436	n/a
as % of revenue	-8 7%	76 5%	
Direct and admin costs	-1,194	-498	140%
Finance costs	-114	-57	101%
Profit before tax	**463**	**-421**	n/a
as % of revenue	28 4%	-74 0%	

We expect to see meaningful continued growth in this market going forward

THE YEAR IN REVIEW (continued)

Lithuania

Lithuania saw very strong lending volume growth during the year, consolidating the Group's position as one of the largest non-bank lenders in this market Lending volumes were up 105% to €17 77m during the year EBT increased to €2 10m, up from €0 71m in 2010 Impairment remained low at 14% of revenue, reflecting strong credit performance and write-backs Direct and administrative expenses grew in line with increased marketing activities

Lithuania

(€ thousands)	2011	2010	change
Loan principal issued	17,771	8,652	105%
Net customer loan receivables	7,210	3,614	99%
Revenue	5,755	3,375	71%
Impairment	-804	-694	16%
as % of revenue	14 0%	20 6%	
Direct and admin costs	-2,444	-1,743	40%
Finance costs	-406	-227	79%
Profit before tax	**2,101**	**711**	195%
as % of revenue	36 5%	21 1%	

Credit24 maintains a strong position in the Lithuanian market and we expect continued growth going forward

BOARD OF DIRECTORS

Executive Directors

1 Rami Ryhänen
Chief Executive Officer (Age 44)

Mr Ryhänen has been CEO of the Company since its inception in 2005, and he has been at the forefront of the development of the non-bank 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 40)

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

Non-Executive Directors

3. Dr Anton Mayr
Non-Executive Chairman (Age 49)

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

4. Philippe Duleyrie
Non-Executive Director (Age 54)

Mr Duleyrie brings over 15 years' experience in financial services for the under-banked He is a Senior Advisor 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 , President - Consorcio Oriental, 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 the Wharton School of the University of Pennsylvania

DIRECTORS' REPORT

For the year ended 31 December 2011

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2011

Principal activity

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

Business review and future developments

A review of 2011, together with likely future developments, is contained in the Year in Review on pages 2 to 11

Results and dividends

The profit for the year ended 31 December 2011 attributable to shareholders was €2,872,899 (2010 €190,546), as set out in the consolidated statement of comprehensive income on page 19

No decision has been made with regards to the payment of dividends The Directors will make a proposal to shareholders prior to the AGM

Directors

Biographies of the current Directors, all of whom served during the year, are set out on page 12 The Directors had corporate directors and management liability insurance in place throughout the year

Directors' interests

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

	Beneficial interest in the Company's Ordinary shares of 10p each				
	2011		2010		
	Number	**%**	Number	%	
Rami Ryhänen	**124,542**	**0.7**	178,664	1 0	(a)
Henry Nilert	**987,222**	**5.9**	1,211,952	7 0	(b)
Philippe Duleyrie	**544,211**	**3 3**	444,211	2 6	

(a) Held through Solotel Oy

(b) 428,603 shares held directly (2010 653,333), and the remaining shares held through Birch Holding Limited

Directors' emoluments

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

	Salary / Fees	Benefits	Share incentive plans		
	€	€	Options held at 31 December 2011	Options granted during 2011	Exercise price
Rami Ryhänen	156,786	11,214	642,000	250,000	41p – 76p
Henry Nilert	168,040	–	707,362	250,000	41p – 76p
Anton Mayr	45,000	–	107,500	107,500	54p – 76p
Philippe Duleyrie	30,000	–	107,500	107,500	54p – 76p
	399,826	11,214	1,564,362	715,000	–

DIRECTORS' REPORT (continued)

For the year ended 31 December 2011

Donations

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

Financial risk management objectives and policies

The Company's objectives and policies in relation to financial risk management are set out in Note 18 to the financial statements on page 50

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 2011 average creditor days were 28 (2010 21)

Capital Management

The Company's policy is to finance working capital through retained earnings and through borrowings at prevailing market interest rates The Company does not actively use any other financial instruments as part of its financial risk management The Company's objectives in relation to financial instruments are set out in Note 18 to the financial statements

Principal risks and uncertainties

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

Significant shareholdings

The significant shareholdings as at 31 December 2011 were as follows

Notifier	No of shares	Percentage of issued ordinary shares
MC Global Limited	7,659,039	45 88%
IIU Nominees Limited	1,856,521	11 12%
Orient Equity Partners	1,521,764	9 12%
Henry Nilert *	987,222	5 91%
Europanel AB	740,000	4 43%
P Lorange	656,521	3 93%
P Duleyrie	544,211	3 26%
Hansa Eastern European Equity Fund	533,333	3 19%

* 428,603 shares held directly (2010 653,333), and the remaining shares held through Birch Holding Limited

Share cancellation and capital reduction

During the year a share buyback was approved of 700,000 of the Company's 10p Ordinary shares at 10p from two directors, R Ryhänen (100,000 Ordinary shares) and H Nilert (600,000 Ordinary shares) The total consideration paid amounted to £70,000 These shares represented 4 02% of the called up share capital of the Company Subsequently, these shares will be cancelled, reducing the number of Ordinary shares from 17,394,247 to 16,694,247 The buyback and subsequent cancellation of these 700,000 shares has the effect of increasing the shareholders' percentage of the Company by 4 02%

Mr Ryhänen and Mr Nilert acquired the 700,000 ordinary shares in December 2010 when they became available at a substantial discount to the then market price, with the intention that the Company would in due course seek the necessary approval to buy in these shares for cancellation

DIRECTORS' REPORT (continued)

For the year ended 31 December 2011

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

Corporate and director's indemnity

The Group maintains corporate and directors indemnity insurance

Statement of disclosure of information to auditors

In so far as the Directors are aware

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

Auditors

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

Annual General Meeting

The date for the Annual General Meeting will be announced in due course

By Order of the Board

Henry Nilert
Company Secretary
101 Wigmore Street
London
W1U 1QU

29 March 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement sets out the responsibilities of the Directors in relation to the financial statements The report of the auditors, shown on pages 17 and 18, sets out their responsibilities in relation to the financial statements

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

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

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

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

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

For the year ended 31 December 2011

We have audited the financial statements of MCB Finance Group Plc for the year ended 31 December 2011 which comprise the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2011 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on the other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

R. Lang

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

29 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Note	2011 €	2010 €
Revenue	3	**18,181,618**	11,782,697
Impairment		**(2,901,202)**	(2,804,762)
Direct operating expenses		**(3,022,076)**	(2,172,928)
Administrative expenses		**(7,482,559)**	(5,546,459)
Operating profit		**4,775,781**	1,258,548
Interest receivable		**805**	2,270
Interest payable		**(1,201,274)**	(727,001)
Profit before income tax	4	**3,575,312**	533,817
Income tax expense	6	**(702,423)**	(343,271)
PROFIT FOR THE YEAR		**2,872,889**	190,546
Other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**2,872,889**	190,546

Proforma Profit calculation

Profit before tax	**3,575,312**	533,817
Cost of employee share options	**94,216**	43,144
Proforma profit before taxation	**3,669,528**	576,961
Taxation	**(702,423)**	(343,271)
Proforma profit after taxation	**2,967,105**	233,690

Earnings per share from continuing operations attributable to the equity holders of the Company during the year

	Note	2011 €	2010 €
Basic earnings per share	7	**0.1672**	0 0110
Diluted earnings per share	7	**0 1672**	0 0110

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

As permitted by Section 408(1) of the Companies Act 2006, the Company's income statement has not been included in these financial statements The Company's loss for the year and total comprehensive loss for the year attributable to equity shareholders was €370,707 (2010 €198,872)

The accompanying notes on pages 25 to 51 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Note	2011 €	2011 €	2010 €	2010 €
ASSETS					
Non-current assets					
Goodwill	8	**737,723**		737,723	
Intangible assets	8	**134,501**		73,444	
Property, plant and equipment	9	**52,596**		33,124	
Deferred tax asset	6	**161,031**		82,291	
Trade and other receivables	11	**1,616,611**		391,574	
Total non-current assets			**2,702,462**		1,318,156
Current assets					
Trade and other receivables	11	**21,144,100**		11,876,009	
Cash and cash equivalents	16	**2,170,410**		1,949,878	
Total current assets			**23,314,510**		13,825,887
Total assets			**26,016,972**		15,144,043
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Issued share capital	12	**2,440,143**		2,542,460	
Share premium account		**4,601,606**		8,453,870	
Capital redemption reserve		**102,317**		–	
Other reserves		**541,240**		556,428	
Retained earnings		**2,901,001**		(3,852,264)	
Total equity			**10,586,307**		7,700,494
Current liabilities					
Trade and other payables	13	**1,108,055**		973,086	
Current income tax liabilities		**115,251**		210,108	
Deferred revenue		**507,359**		1,060,355	
Short-term borrowings	14	**13,700,000**		5,200,000	
Total current liabilities			**15,430,665**		7,443,549
Total equity and liabilities			**26,016,972**		15,144,043

The financial statements on pages 19 to 51 were approved by the Board of Directors and authorised for issue on 29 March 2012 and were signed on its behalf by

A Mayr
Chairman

H Nilert
Chief Financial Officer

Company No 06032184

The accompanying notes on pages 25 to 51 form an integral part of these consolidated financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Note	€	2011 €	€	2010 €
ASSETS					
Non-current assets					
Investments in subsidiaries	10	9,794,747		9,794,746	
Total non-current assets			9,794,747		9,794,746
Current assets					
Trade and other receivables	11	322,485		709,396	
Cash and cash equivalents	16	1,540		421	
Total current assets			324,025		709,817
Total assets			10,118,772		10,504,563
EQUITY AND LIABILITIES					
Equity					
Issued share capital	12	2,440,143		2,542,460	
Share premium account		4,601,606		8,453,870	
Capital redemption reserve		102,317		-	
Other reserves		541,240		556,428	
Retained earnings		2,357,645		(1,152,024)	
Total equity			10,042,951		10,400,734
Current liabilities					
Trade and other payables	13	75,821		103,829	
Total current liabilities			75,821		103,829
Total equity and liabilities			10,118,772		10,504,563

The financial statements on pages 19 to 51 were approved by the Board of Directors and authorised for issue on 29 March 2012 and were signed on its behalf by

A Mayr
Chairman

H Nilert
Chief Financial Officer

Company No 06032184

The accompanying notes on pages 25 to 51 form an integral part of these consolidated financial statements

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

		Group		Company	
	Note	**2011** **€**	2010 €	**2011** **€**	2010 €
Cash flow (used in)/from operating activities					
Cash (used in)/generated from operations	16	**(7,282,986)**	1,768,553	**82,412**	(148)
Income tax paid		**(774,570)**	(684,398)	–	–
Net cash (used in)/generated from operating activities		**(8,057,556)**	1,084,155	**82,412**	(148)
Cash flow from investing activities					
Investment in subsidiaries		–	–	**(1)**	–
Purchase of property, plant and equipment		**(46,133)**	(15,333)	–	–
Purchase of intangible assets		**(94,557)**	(73,421)	–	–
Gain from disposal of property, plant and equipment		**70**	–	–	–
Net cash used in investing activities		**(140,620)**	(88,754)	**(1)**	–
Cash flow from financing activities					
Net increase/(decrease) in borrowing		**8,500,000**	(1,260,000)	–	–
Share buyback		**(81,292)**	–	**(81,292)**	–
Net cash from/(used in) financing activities		**8,418,708**	(1,260,000)	**(81,292)**	–
Increase/(decrease) in cash and cash equivalents		**220,532**	(264,599)	**1,119**	(148)
Cash and cash equivalents at 1 January	16	**1,949,878**	2,214,477	**421**	569
Cash and cash equivalents at 31 December	16	**2,170,410**	1,949,878	**1,540**	421

The accompanying notes on pages 25 to 51 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2011

	Attributable to the owners of the parent Company					
	Share capital €	Share premium €	Capital redemption reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2010	**2,542,460**	**8,453,870**	**–**	**513,284**	**(4,042,810)**	**7,466,804**
Comprehensive income						
Profit for the financial period	–	–	–	–	190,546	190,546
Other comprehensive income		–	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**513,284**	**190,546**	**190,546**
Arising on employee share options	–	–	–	43,144	–	43,144
Total	–	–	–	**43,144**	**–**	**43,144**
Balance at 1 January 2011	**2,542,460**	**8,453,870**	**–**	**556,428**	**(3,852,264)**	**7,700,494**
Comprehensive income						
Profit for the financial period	–	–	–	–	2,872,889	2,872,889
Other comprehensive income						
Total comprehensive income	**–**	**–**	**–**	**–**	**2,872,889**	**2,872,889**
Arising on employee share options	–	–	–	94,216	–	94,216
Arising on employee shares option lapsed and cancelled during the period	–	–	–	(131,074)	131,074	–
Arising on share buyback	(102,317)	–	102,317	21,670	(102,962)	(81,292)
Reduction in share premium	–	(3,852,264)	–	–	3,852,264	–
Total	**(102,317)**	**(3,852,264)**	**102,317**	**(15,188)**	**3,880,376**	**12,924**
Balance at 31 December 2011	2,440,143	4,601,606	102,317	541,240	2,901,001	10,586,307

The accompanying notes on pages 25 to 51 form an integral part of these consolidated financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 31 December 2011

	Attributable to the owners of the parent Company					
	Share capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Total
	€	€	€	€	€	€
Balance at 1 January 2010	**2,542,460**	**8,453,870**	**–**	**513,284**	**(953,152)**	**10,556,462**
Comprehensive income						
Loss for the financial period	–	–	–	–	(198,872)	(198,872)
Other comprehensive income		–	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**513,284**	**(198,872)**	**(198,872)**
Arising on employee share options	–	–	–	43,144	–	43,144
Total	**–**	**–**	**–**	**43,144**	**–**	**43,144**
Balance at 1 January 2011	**2,542,460**	**8,453,870**	**–**	**556,428**	**(1,152,024)**	**10,400,734**
Comprehensive income						
Loss for the financial period	–	–	–	–	(370,707)	(370,707)
Other comprehensive income		–	–	–		
Total comprehensive income	**–**	**–**	**–**	**–**	**(370,707)**	**(370,707)**
Arising on employee share options	–	–	–	94,216	–	94,216
Arising on employee shares option lapsed and cancelled during the period	–	–	–	(131,074)	131,074	–
Arising on share buyback	(102,317)	–	102,317	21,670	(102,962)	(81,292)
Reduction in share premium	–	(3,852,264)	–	–	3,852,264	–
Total	**(102,317)**	**(3,852,264)**	**102,317**	**(15,188)**	**3,880,376**	**12,924**
Balance at 31 December 2011	**2,440,143**	**4,601,606**	**102,317**	**541,240**	**2,357,645**	**10,042,951**

Share capital relates to the nominal value of shares issued Share premium relates to the amounts subscribed for share capital in excess of the nominal value of the shares The capital redemption reserve arises following the share buy-back by the Company which reduces the Company's share capital

Other reserves mainly relates to the equity-settled employee reserve, arising on the grant of share options to employees under the employee share option plan, and the foreign currency translation reserve, arising on the share buyback transaction At 31 December 2011 €519,570 (2010 €556,428) relates to the equity-settled employee reserve Further information about the share based payments to employees is set out in Note 12

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

The accompanying notes on pages 25 to 51 form an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1 ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2011

General information

MCB Finance Group Plc ('the Company') and its subsidiaries (together, 'the Group') provides credit solutions under the Credit24 brand to retail customers in Finland and the Baltic countries of Estonia, Latvia and Lithuania The Company is a public limited company which is listed on the Alternative Investment Market (AIM), a sub-market of the London Stock Exchange, and is incorporated under the Companies Act and is registered and domiciled in England and Wales The address of its registered office is 101 Wigmore Street, London, W1U 1QU

Basis of preparation

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

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

Going Concern

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

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

Changes in accounting policy and disclosures

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

IAS 24 (revised)	'Related party disclosures'
IAS 32 (amendment)	'Financial Instruments'

The Directors do not consider that the adoption of these interpretations has had a material impact on the Group's results

(b) *New and amended standards, and interpretations, mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Company (although they may affect the accounting for future transactions and events)*

IAS 32 (amendment)	'Financial Instruments'
IFRS 1 (amendment)	'Limited exemptions from comparative IFRS 7 disclosures for first-time adopters'
IFRIC 19	'Extinguishing financial liabilities with equity instruments'
IAS 24 (revised)	'Related party disclosures'
IFRIC 14 (amendment)	'Prepayments of a minimum funding requirement'

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

(c) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted*

IFRS 7 (amendment)	'Financial instruments' – effective 1 July 2011
IFRS 9	'Financial instruments' – effective 1 January 2015
IFRS 10	'Consolidated financial statements' – effective 1 January 2013
IFRS 12	'Disclosure of interests in other entities' – effective 1 January 2013
IFRS 13	'Fair value measurement' – effective 1 January 2013
IAS 1 (amendment)	'Presentation of items of other comprehensive income' and 'Presentation of SOCI' – effective 1 July 2012
IAS 12 (amendment)	'Deferred tax' – effective 1 January 2012
IAS 19 (amendment)	'Employee benefits' – effective 1 January 2013

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

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

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

IFRS 3	'Business Combinations' – transition requirements for contingent consideration, measurement of non-controlling interest, and unreplaced and voluntary replaced share-based payment awards
IFRS 7	'Financial Instruments' – increased emphasis on the interaction between qualitative and quantitative disclosures
IAS 1	'Presentation of Financial Statements' – clarification of the presentation of the statement of changes in equity
IAS 27	'Consolidated and Separate Financial Statements' – transition requirements for amendments made as a result of IAS 27 (revised)
IAS 34	'Interim Financial Reporting' – accounting for significant events and transactions

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

Basis of consolidation

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

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

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

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Segment reporting

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

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration paid over the fair value of the identifiable assets acquired

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units that is expected to benefit from the synergies of the combination Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes Goodwill is monitored at the operating segment level

Goodwill arising on each acquisition is renewed annually or more frequently if events or changes in circumstances indicate a potential impairment The annual impairment review considers the comparison of carrying value to discounted cash flows over a period of 5 years Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses Any impairment is recognised immediately as an expense and is not subsequently reversed

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

Intangible assets

Intangible assets are stated at acquisition cost less any accumulated depreciation and any accumulated impairment losses Amortisation is provided to write off the intangible asset over the period the Group expects to use the assets on a straight line basis The credit licence is amortised at a rate of 20% per annum For all other classes of intangible assets, the principal annual rate of amortisation is 33% per annum

Where there is an indication of impairment the directors carry out an impairment review to consider the carrying value to the estimated aggregate future economic benefit derived from the intangible assets Any impairment is recognised immediately and charged to the statement of comprehensive income Impairment losses may be reversed in future periods if appropriate

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

Property, plant and equipment

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

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Investments in subsidiaries

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

Financial instruments

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

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 loans receivables and Cash and cash equivalent are classified as loans and receivables Customer loan receivables are initially measured at fair value Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income based on historical experience

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables Loans and receivables are measured at amortised cost using the effective interest method, less any impairment Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial

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

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loans to the extent that it is probable that some or all of the facility will be drawn down The fee is deferred until the draw-down occurs, and is recognized immediately in profit or loss if the draw-down is not expected to occur

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Share Capital

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

Revenue

Revenue represents fees and interest receivable in respect of loans granted during the year Fees and interest are recognised on a time-proportion basis using the effective interest method Fees from penalty interests include reminder fees and collection procedure fees Reminder and collection fees are recognised on settlement

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 reporting date Differences arising on the translation of such items are dealt with in the statement of comprehensive income

(ii) Foreign operations

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

(iii) Year end exchange rate

The year end exchange rate was €1 1956/£1 (2010 €1 1618/£1) The average exchange rate for the year was €1 1514/£1 (2010 €1 1656/£1)

Leases

Rentals paid under operating leases are charged to the statement of comprehensive income over the term of the relevant lease Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Taxation and deferred taxation

Income tax expense represents the current year tax charge The tax currently payable is based on taxable profit for the year Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting 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 reporting date and reduced to the extent that sufficient taxable profits are unlikely to be available in the short term to allow all or part of the asset to be recovered Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

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

Employee share options

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

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

When options are exercised, the Company issues new shares The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium

Notes to the consolidated financial statements (continued)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

2 1 Critical accounting estimates and assumptions

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

(a) Employee share options

In order to calculate the charge for share-based compensation, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in Note 12

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy related to goodwill stated in Note 1 The recoverable amount of cash-generating units has been determined based on value in use calculations These calculations require the use of estimates as set out in Note 8

2 2 Critical judgements in applying the entity's accounting policies

(a) Recoverability of customer loan receivables

The Group makes allowances for bad debts based on estimates of the recoverability of receivables outstanding Customer balances are deemed to be impaired as soon as any one monthly payment is over 30 days in arrears The Group has undertaken research to determine future cash flows and estimate potential credit losses Estimated future cash flows are based on the historical performance of customer balances falling into different arrears stages There is no guarantee that management's estimates will prove reliable in the long term An increase in the level of credit losses will have an adverse impact on the profitability of the Group

Notes to the consolidated financial statements (continued)

3 SEGMENTAL INFORMATION

All of the Group's revenue is generated from the one business class of consumer lending in Finland, Estonia, Latvia and Lithuania The operations are managed and monitored by the senior management team as a single business segment The Group operates in the following geographical segments which are grouped based on the reporting structures in use by the Group

	2011				
	Finland	**Estonia**	**Lithuania**	**Latvia**	**Total**
Loan principal issued	28,025,839	8,625,730	17,771,070	5,565,403	59,988,042
Net customer receivables	9,022,647	3,896,716	7,210,029	2,230,533	22,359,925
Revenue	7,400,034	3,396,850	5,754,787	1,629,947	18,181,618
Impairment	(2,082,510)	(156,728)	(803,736)	141,772	(2,901,202)
as a % of revenue	28%	5%	14%	(9%)	16%
Finance Costs	(446,569)	(234,205)	(405,680)	(114,015)	(1,200,469)
Segment measure of profit	2,318,768	1,340,113	2,101,248	463,477	6,223,606
as a % of revenue	31%	40%	37%	28%	34%
Central expenses					(2,554,078)
Proforma profit before tax					3,669,528
Cost of employee share options					(94,216)
Profit before tax					3,575,312

Notes to the consolidated financial statements (continued)

3 SEGMENTAL INFORMATION (continued)

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

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

Notes to the consolidated financial statements (continued)

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2011 €	2010 €
Staff costs (see Note 5)	**2,339,323**	2,223,170
Operating leases	**108,668**	101,251
Provisions for impairment related to continuing operations	**4,355,639**	3,238,356
Net credit write-backs	**1,454,437**	433,594
Net foreign exchange loss/(gain)	**2,606**	(240)
Auditors' remuneration		
- Audit of these financial statements	**35,201**	31,037
- Audit of the Company's subsidiaries	**51,111**	52,393
- Other services	**1,175**	6,058
Amortisation of intangible fixed assets (see Note 8)	**33,499**	21,122
Depreciation of property, plant and equipment (see Note 9)	**26,593**	36,031
(Gain)/loss on disposal of property, plant and equipment	**(70)**	-

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

5 DIRECTORS AND EMPLOYEES

Staff costs including directors' emoluments

	2011 €	2010 €
Wages and salaries	**1,754,744**	1,739,155
Social security costs	**490,363**	440,871
Share based compensation	**94,216**	43,144
	2,339,323	2,223,170

Included in the above are Directors' emoluments of €399,826 (2010 €348,911) The highest paid director received emoluments of €168,040 (2010 €140,000) The highest paid director did not exercise any share options (2010 £nil) Reference is made to the directors' emoluments disclosure in the Directors' Report

The average monthly number employed including executive directors

	2011 €	2010 €
Senior management	**2**	2
Support staff	**52**	47
	54	49

Notes to the consolidated financial statements (continued)

6 TAXATION

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

TAX EXPENSE

	2011	2010
	€	€
Current year expense	**781,417**	449,131
Over provided in prior years	**(254)**	(23,569)
Current tax	**781,163**	425,562
Deferred tax expense related to the origination and reversal of temporary differences	**(78,740)**	(82,291)
Total tax expense	**702,423**	343,271

Notes to the consolidated financial statements (continued)

6 TAXATION (continued)

TAXATION RECONCILIATION

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

	2011 Total	2010 Total
	€	€
Tax rate	**26%**	26%
Profit before tax	**3,575,312**	533,817
Tax on profit before tax at tax rate	**929,581**	138,792
Tax effect of different rates on different tax jurisdictions	**(166,012)**	27,859
Tax effect of income not taxable	**(237,939)**	35,823
Tax effect of tax losses for which no deferred tax was recognised	**96,385**	51,706
Tax effect of expenses that are not deductible for determining taxable profits	**289,943**	201,376
Tax effect of expenses decreasing the profit for tax purposes	**(48,104)**	(1,534)
Tax effect of adjustments in respect of prior years	**(254)**	(23,569)
Utilisation of tax losses carried forward	**(82,437)**	(4,891)
Deferred tax assets recognised	**(78,740)**	(82,291)
Tax expense	**702,423**	343,271

The applicable tax rate in Finland is 26%, in Latvia 15% and in Lithuania 15% No tax arises in Estonia unless a distribution is made No distributions were made from the Estonian subsidiary during 2011 Tax losses carried forward in Latvia at the end of the period were €235,297 (2010 €317,734)

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

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

Notes to the consolidated financial statements (continued)

6 TAXATION (continued)

DEFERRED TAX

	Provisioning Finland	Provisioning Lithuania	Other Lithuania	Total
	€	€	€	€
Deferred tax assets at 1 January 2010	–	–	–	–
Credited to the statement of comprehensive income	56,780	25,091	420	82,291
At 31 December 2010	56,780	25,091	420	82,291
Credited to the statement of comprehensive income	49,357	27,667	1,716	78,740
At 31 December 2011	**106,137**	**52,758**	**2,136**	**161,031**

Deferred tax was recognised on bad debt provisions of €77,024 (2010 €81,871), at a rate dependent on the country of origin In Latvia there were unrecognised temporary differences of €138,757 during the year (2010 €109,688) related to the non-utilisation of credit losses for tax purposes These were not recognised as the Latvian subsidiary has unutilised tax losses Tax losses carried forward in Latvia at the end of the period were €235,297 (2010 €317,734)

7 EARNINGS PER SHARE

(a) Basic

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

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

	2011	2010
	Number	Number
Weighted average number of Ordinary shares in issue during the period	**17,189,042**	17,394,247
Profit for the period (€)	**2,872,889**	190,546

(b) Diluted

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

Notes to the consolidated financial statements (continued)

7 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

The calculation of diluted earnings per share is based on

	2011 €	2010 €
Earnings		
- profit attributable to equity holders of the company	**2,872,889**	190,546

	2011 Number	2010 Number
Weighted average number of ordinary shares in issue	**17,189,042**	17,394,247
Adjustments for dilutive effect of		
- employee share options	**136**	66,000
- share options granted to lender (Note 14)	-	23,379
Weighted average number of ordinary shares for diluted earnings per share	**17,189,178**	17,483,626

The average share price during the year was 41 01p (2010 46 50p) In calculating the weighted average number of ordinary shares for calculation of diluted earnings per share, only those share options with an exercise price below the average share price will have a dilutive impact 558,000 (2010 558,000) share options with an exercise price of 41p (Note 12) have a dilutive impact on the earnings per share

8 INTANGIBLE FIXED ASSETS AND GOODWILL

Group	Credit Licence €	Software €	Trademarks and Other Licences €	Goodwill €	Total €
At 1 January 2010					
Cost	–	26,588	38,961	737,723	803,272
Accumulated amortisation	–	(17,200)	(27,204)	–	(44,404)
Net book amount	–	9,388	11,757	737,723	758,868
Year ended 31 December 2010					
Opening net book amount	–	9,388	11,757	737,723	758,868
Additions	–	70,850	2,571	–	73,421
Amortisation	–	(14,242)	(6,880)	–	(21,122)
Closing net book amount	–	65,996	7,448	737,723	811,167
At 31 December 2010					
Cost	–	97,438	41,532	737,723	876,693
Accumulated amortisation	–	(31,442)	(34,084)	–	(65,526)
Net book amount	–	65,996	7,448	737,723	811,167

Notes to the consolidated financial statements (continued)

8 INTANGIBLE FIXED ASSETS AND GOODWILL (continued)

Group	**Credit Licence €**	**Software €**	**Trademarks and Other Licences €**	**Goodwill €**	**Total €**
Year ended 31 December 2011					
Opening net book amount	–	65,996	7,448	737,723	811,167
Additions	71,144	23,413	–	–	94,557
Amortisation	(1,186)	(27,937)	(4,377)	–	(33,499)
Closing net book amount	69,958	61,472	3,071	737,723	872,224
At 31 December 2011					
Cost	71,144	120,851	41,532	737,723	971,250
Accumulated amortisation	(1,186)	(59,379)	(38,461)	–	(99,026)
Net book amount	**69,958**	**61,472**	**3,071**	**737,723**	**872,224**

The directors consider the useful life of the credit licence to be 5 years, and for all other classes of intangible fixed assets, to be 3 years The amortisation of intangible assets of €33,499 (2010 €21,122) is included in direct operating expenses and administrative expenses, respectively, of the statement of comprehensive income as follows

	2011	2010
Included within	**€**	€
- direct operating expenses	**25,005**	6,152
- administrative expenses	**8,494**	14,970
Total amortisation charge	**33,499**	21,122

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

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1 The recoverable amount has been determined based on value in use calculations These calculations require the use of estimates Goodwill is allocated to the Group's CGUs as follows

	2011	2010
	€	€
MCB Finance Estonia Ou	**368,862**	368,862
MCB Finance Finland Oy	**368,862**	368,862
	737,723	737,723

Notes to the consolidated financial statements (continued)

8 INTANGIBLE FIXED ASSETS AND GOODWILL (continued)

Impairment tests for goodwill (continued)

The recoverable amount of a CGU is determined based on value-in-use calculations These calculations use projections based on financial budgets approved by management for the purpose of goodwill impairment testing covering a five-year period Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below

The key assumptions used for annual impairment review are as follows

	2011		2010	
	Finland	**Estonia**	Finland	Estonia
	%	**%**	%	%
Growth rate (<1 year)	**5 0**	**5.0**	5 0	5 0
Growth rate (2 – 5 years)	**5.0**	**5.0**	5 0	5 0
Long-term growth rate (>5 years)	**3.0**	**3.0**	3 0	3 0
Gross margin	**68 8**	**73.9**	67 7	66 6
Discount rate	**25 1**	**25.1**	28 7	28 7

For these purposes management determined budgeted gross margin based on past performance and its expectations of market development The growth rates used are consistent with the forecasts included in industry reports The discount rates used reflect the weighted average cost of capital that the Company is expected to pay to the owners of the business and the Group's bank

9 PROPERTY, PLANT AND EQUIPMENT

Group	**Office Equipment €**
At 1 January 2010	
Cost	142,504
Accumulated depreciation	(88,682)
Net book amount	53,822
Year ended 31 December 2010	
Opening net book amount	53,822
Additions	15,333
Depreciation charge	(36,031)
Closing net book amount	33,124

Notes to the consolidated financial statements (continued)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	€
At 31 December 2010	
Cost	157,837
Accumulated depreciation	(124,713)
Net book amount	33,124
Year ended 31 December 2011	
Opening net book amount	33,124
Additions	46,133
Disposals	(1,770)
Depreciation charge	(26,593)
Depreciation on disposals	1,702
Closing net book amount	52,596
At 31 December 2011	
Cost	202,200
Accumulated depreciation	(149,604)
Net book amount	**52,596**

The total depreciation charge during the year is included within administrative expenses in the statement of comprehensive income

10 INVESTMENTS IN SUBSIDIARIES

Company

	€
At 1 January 2010	9,794,746
At 31 December 2010	**9,794,746**
At 1 January 2011	9,794,746
Additions	1
At 31 December 2011	**9,794,747**

(A) INVESTMENTS DURING THE YEAR

On 1 January 2011 Estonia joined the Eurozone In order to comply with statutory requirements to adjust the currency of share capital to euros the number of shares of MCB Finance AS was decreased and MCB Finance Plc made a further contribution of €0 92 to the share capital of MCB Finance AS

Notes to the consolidated financial statements (continued)

10 INVESTMENTS IN SUBSIDIARIES (continued)

(B) SUMMARY OF SUBSIDIARY UNDERTAKINGS

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

- MCB Finance Estonia Ou, a company incorporated in Estonia
- UAB MCB Finance, a company incorporated in Lithuania
- MCB Finance Latvia SIA, a company incorporated in Latvia
- MCB Finance Finland Oy, a company incorporated in Finland

The reporting date of the subsidiary undertakings is 31 December 2011

11 TRADE AND OTHER RECEIVABLES

Current receivables

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Customer loan receivables	**25,597,256**	15,916,330	–	–
Less provision for impairment of trade receivables	**(4,853,942)**	(4,255,519)	–	–
Customer loan receivables – net	**20,743,314**	11,660,811	–	–
Amounts due from group undertakings	-	-	**311,369**	707,559
Other receivables	**400,786**	215,198	**11,116**	1,837
	21,144,100	11,876,009	**322,485**	709,396

Non-current receivables

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Customer loan receivables	**1,724,259**	424,316	–	–
Less provision for impairment of trade receivables	**(107,648)**	(32,742)	–	–
Customer loan receivables – net	**1,616,611**	391,574	–	–

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

All non-current receivables are due within five years of 31 December 2011

Notes to the consolidated financial statements (continued)

11 TRADE AND OTHER RECEIVABLES (continued)

Bad debt provisions

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

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
At 1 January	**4,288,261**	10,457,073	–	-
Charge for the year	**4,355,639**	3,238,356	–	-
Amounts written off during the year	**(3,682,310)**	(9,407,168)	-	-
At 31 December	**4,961,590**	4,288,261	-	-

The provisions charged to the statement of comprehensive income during the period were €4,355,639 (2010 €3,238,356) During the year there was a net credit write back of €1,454,437 (2010 €433,594)

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

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

Past due but not impaired

As of 31 December 2011, all trade receivables past due have been impaired in accordance with the Group's policies

12 CALLED UP SHARE CAPITAL

	2011		2010	
	Number of 10p shares	**€**	Number of 10p shares	€
Authorised				
Ordinary shares of 10p each	**30,000,000**	**3,586,800**	30,000,000	3,502,500
Issued and fully paid				
Ordinary shares of 10p each	**16,694,247**	**2,440,143**	17,394,247	2,542,460

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

(A) SHARE ISSUES DURING THE YEAR

During the year ended 31 December 2011 no ordinary shares were issued (2010 nil)

Notes to the consolidated financial statements (continued)

12 CALLED UP SHARE CAPITAL (continued)

(B) SHARE CANCELLATION AND CAPITAL REDUCTION

During the year, the shareholders approved a reduction in the Company's capital As a result, the consolidated share premium account was reduced by €3,852,264 from €8,453,870 to €4,601,606 The retained earnings account was increased by the same amount

In addition, a share buyback was approved of 700,000 of the Company's 10p Ordinary shares at 10p from two directors, R Ryhänen (100,000 Ordinary shares) and H Nilert (600,000 Ordinary shares) The total consideration paid amounted to £70,000 These shares represented 4 02% of the called up share capital of the Company Subsequently, these shares will be cancelled, reducing the number of Ordinary shares from 17,394,247 to 16,694,247 The buyback and subsequent cancellation of these 700,000 shares has the effect of increasing the shareholders' percentage of the Company by 4 02%

A capital redemption reserve of €102,317 arises following the share buy-back by the Company which reduces the Company's share capital

Mr Ryhänen and Mr Nilert acquired the 700,000 ordinary shares in December 2010 when they became available at a substantial discount to the then market price, with the intention that the Company would in due course seek the necessary approval to buy in these shares for cancellation

Notes to the consolidated financial statements (continued)

12 CALLED UP SHARE CAPITAL (continued)

(C) SHARE OPTION SCHEMES

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

	Date granted	Options outstanding as at 01 January 2011	Issued	Cancelled/ Lapsed	**Options outstanding as at 31 December 2011**	Exercise price	Share price at time of grant/ modification
Directors							
	05 February 2007	482,000	–	–	**482,000**	41p	150p
	05 February 2007	135,000	–	(135,000)	–	150p	150p
	05 February 2007	302,000	–	–	**302,000**	50p	45p
	20 June 2007	45,000	–	(45,000)	–	171p	150p
	28 February 2008	65,362	–	–	**65,362**	50p	45p
	28 July 2011	–	357,500	–	**357,500**	54p	55p
	28 July 2011	–	357,500	–	**357,500**	76p	55p
Employees							
	05 February 2007	45,000	–	(45,000)	–	150p	150p
	05 February 2007	158,000	–	(30,000)	**128,000**	50p	45p
	05 February 2007	76,000	–	–	**76,000**	41p	150p
	01 November 2007	10,000	–	(10,000)	–	50p	45p
	15 November 2007	20,000	–	–	**20,000**	176 5p	176 5p
	15 February 2008	10,000	–	–	**10,000**	50p	45p
	15 February 2008	45,000	–	–	**45,000**	115p	115p
	24 May 2010	65,000	–	–	**65,000**	50p	51 5p
	28 July 2011	–	100,000	–	**100,000**	54p	55p
	28 July 2011	–	100,000	–	**100,000**	76p	55p
		1,458,362	915,000	(265,000)	**2,108,362**		

Share options are granted to directors and to selected employees Options are conditional on the employee completing three years' service (the vesting period) for options granted prior to 2011, and four years for options granted starting 2011

During the year to 31 December 2011, 915,000 options were issued over the ordinary shares of the Company (2010 65,000) One-sixteenth of the options granted vest at the end of each calendar quarter, subject to the holder remaining an employee of the Company None of these options lapsed or were exercised during the year The weighted average exercise price of the share options granted during the year was 65p (2010 50p)

During the year 175,000 options lapsed as a result of those share option holders ceasing employment with the Company The weighted average exercise price of the share options that lapsed during the year was 75p Those share options that have lapsed do not represent a gain to the Company A further 90,000 options were cancelled, with a weighted average exercise price of 150p A total movement of €131,074 has been recognised within equity to reflect that the share options are no longer outstanding

On 13 June 2011, the Company announced that 988,000 options will have their expiry period extended by one year such that they now expire 4 years after the date of grant

During the year, no share options were exercised At 31 December 2011, the Company had 2,108,362 (2010 1,458,362) options outstanding with a total of 1,128,362 (2010 1,343,241) exercisable at the year end The options outstanding at 31 December 2011 had a range of exercise price of 41p to 176 5p (2010 41p to 176 5p) and a weighted average remaining contractual life of 2 5 years (2010 1 5 years)

Notes to the consolidated financial statements (continued)

12 CALLED UP SHARE CAPITAL (continued)

(C) SHARE OPTION SCHEMES (continued)

Fair value of options

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

	2011	2010
Expected dividend yield	**nil**	nil
Expected volatility	**50%**	50%
Risk-free interest rate	**5.5%**	5 5%
Employee turnover	**2.5%**	2 5%

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

Based on the above assumptions, the following has been calculated

	2011	2010
Fair value of options granted	**4 5p – 63.4p**	4 5p – 63 4p
Number of options outstanding as at 31 December	**2,108,362**	1,458,362
Weighted average exercise price of the options outstanding at the year end	**55p**	64p

The above assumptions have also been used in calculating the impact from the extension of the expiry period of options

Expense arising from share-based payments

Based on the above fair values and the Company's expectations of employee turnover, the expense arising from share options granted to employees was €94,216 (2010 €43,144)

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Trade payables	**416,952**	256,561	–	–
Other taxation and social security	**194,098**	134,826	–	–
Other payables	**214,433**	332,802	–	–
Accruals	**282,572**	248,897	**75,821**	103,829
	1,108,055	973,086	**75,821**	103,829

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

Notes to the consolidated financial statements (continued)

14 SHORT TERM BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Bank loans and overdrafts	**13,700,000**	5,200,000	–	–

The interest on the loan from Rietumu Bank during the period was 13% pa on drawn amounts, and 1% on undrawn amounts The loan was secured against the Company's outstanding customer loan receivables in Estonia, Latvia, Lithuania and Finland, and against certain bank accounts of the Company The credit agreement with Rietumu was also secured by all property of MCB Finance Latvia SIA, including existing and future tangible and /or intangible property owned by the MCB Finance Latvia SIA The credit facility had a loan limit of €17 million and was repayable on 31 March 2012

In addition Rietumu has an option to purchase 724,760 shares (approximately 4% of shares issued) in MCB Finance Plc (parent Company) at a strike price of 45p The option expires 31 March 2012

Rietumu Bank is a related party under the AIM Rules as IIU Nominees Limited ("IIU") has, since February 2008, owned 1,856,521 ordinary shares in the Company, comprising 11 1% of its issued share capital (9 5% on a fully-diluted basis) and IIU is controlled by Mr Dermot Desmond, who through Boswell (international) Consulting Limited also owns a 33 1% shareholding in Rietumu Bank The directors of MCB consider, having consulted with the Company's nominated adviser, Merchant Securities Limited, that the yearly extension of the loan is fair and reasonable insofar as the shareholders in MCB are concerned

In January 2012 MCB agreed with Rietumu Bank the yearly extension of its €17m revolving credit facility to the end of March 2014 Subsequently the Company refinanced the Rietumu facility in its entirety through the issue of asset backed bonds (see Note 19)

15 OPERATING LEASE COMMITMENTS

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

	2011	2010
	€	€
Rental payments within 1 year	**92,869**	62,196
Rental payments over 1 and within 5 years	**106,171**	34,056
	199,040	96,252

Included above are rental payments related to car leases within one year of €8,263 (2010 €3,994), and rental payments related to car leases over 1 and within 5 years of €32,371 (2010 €9,188) The car lease in Estonia expires on 15 April 2016

Under the terms of the rental agreement in Lithuania, the office lease expires on 31 July 2012 The lease is expected to be extended

Under the terms of the rental agreement in Finland, the office lease expires on 31 December 2013

Notes to the consolidated financial statements (continued)

16 NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION TO OPERATING CASH FLOWS

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Operating profit	**4,775,781**	1,258,548	**(370,707)**	(192,174)
Finance costs - net	**(1,200,469)**	(724,731)	–	–
Depreciation	**26,593**	36,031	–	–
Amortisation	**33,499**	21,122	–	–
Employees share options	**94,216**	43,144	**94,216**	36,445
(Increase)/decrease in receivables	**(10,594,579)**	814,112	**386,911**	92,282
(Decrease)/increase in payables	**(418,027)**	320,327	**(28,008)**	63,299
Cash flow (generated from)/used in operating activities	**(7,282,986)**	1,768,553	**82,412**	(148)

CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Cash at bank and in hand	**2,170,410**	1,949,878	**1,540**	421

The maximum exposure on cash and cash equivalent balances is the carrying value of cash and cash equivalents

17 RELATED PARTIES

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

During the year the Group was charged a license fee of €285,559 (2010 €270,628) by MC Global Limited, and the Group paid MC Global Limited €304,107 (2010 €249,511) The license fee is payable under the terms of contract dated 19 December 2006, and subsequently amended 27 February 2008, under which the Group has a perpetual, exclusive and irrevocable right to use the "Credit24" brand in Estonia, Lithuania, Latvia, Finland, Czech Republic, Slovakia, Hungary, Poland, Romania, Slovenia, Croatia, Serbia, Macedonia, Montenegro, Bosnia, Albania, Kosovo, Bulgaria, Moldova, Ukraine and Belarus for consideration of an annual fee of €248,000 per annum, to be increased annually by the Monetary Union Index of Consumer Prices

During the year the Group also made an initial payment of €76,441 to MC Global Limited to acquire outright the Credit 24 brand rights to operate in Australian and New Zealand markets

The above resulted in a net amount owed by MC Global Limited of €23,890 (2010 €5,342) at the end of the year MC Global Limited is a related party by virtue of its minority shareholding in the MCB Finance Group Plc

At 31 December 2011 MCB Finance AS owed its parent MCB Finance Group Plc €311,369 (2010 €707,559) This includes accrued annual interest of €nil (2010 €216)

Notes to the consolidated financial statements (continued)

17 RELATED PARTIES (continued)

Further related party transactions are summarised below

Transactions	**2011**	2010
	€	€
Gross marketing services received [1]	**102,920**	188,553
IT and Consultancy services received [2]	**59,448**	57,679
Gross marketing services paid [1]	**118,066**	190,535
IT and Consultancy services paid [2]	**58,287**	58,859

Balances	**2011**	2010
	€	€
Payables for Gross marketing services [1]	**-**	15,147
Payables for IT and Consultancy services [2]	**1,927**	766

1) Related parties include Clickit Baltic Oü Net commissions to Clickit Baltic Oü totalled €14,565 in 2011 (2010 €11,844) Remaining amounts (2011 €88,354, 2010 €176,709) represent through payments to third party media companies in connection with the Group's advertising activities After 18 May 2011 Clickit Baltic Ou ceased to be a related party following those persons connected with the Company disposing of their investment

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

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

Transactions with key management personnel	**2011**	2010
	€	€
Loan repaid by Member of Management	**(6,300)**	(6,300)
Interest from loans given to Member of Management	**331**	969
Interest amounts repaid	**(3,218)**	-

Balances with key management personnel	**2011**	2010
	€	€
Receivable from Member of Management	**-**	9,187

Key management and director's emoluments are disclosed within Note 5 and the director's report of these financial statements During the year the Company approved a share buyback transaction in which Ordinary shares were acquired from two of the directors This transaction is disclosed in Note 12B

Notes to the consolidated financial statements (continued)

18 FINANCIAL INSTRUMENTS

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

Liquidity risk

The Group maintains sufficient liquid resources in its operating currencies to meet its immediate working capital needs Liquid resources are deposited with mainstream authorised banks or institutions with an equivalent level of prudential supervision Cash deposits generally have a maturity of three months or less All financial liabilities are due within one year (see Note 14)

Credit risk

The Group is exposed to credit risk through its customer loans both current and non-current The Group manages this risk by the verification of customer's identity, other personal and financial information, confirmation of an acceptable credit history, and daily reviews of the outstanding loan portfolio supported by procedures to monitor and manage the repayment process which includes the use of reputable and well-established credit collection agencies If the Group's provision against its outstanding customer receivables, both current and non-current, at 31 December 2011 had been 3% higher or lower, and all other variables were held constant, then the Group's profit for the year ended 31 December 2011 would have decreased or increased by €148,848 (2010 €128,648) The maximum exposures to credit risk are the amounts disclosed in Note 11 and 16 The Group's trade receivables are all unsecured and are measured at amortised cost The Group manages the credit risk related to cash and cash equivalents by depositing these with mainstream authorised banks or institutions with an equivalent level of prudential supervision

Currency risk

The Group currently operates within countries which either use its functional currency or whose currency is currently pegged to that currency Foreign exchange risk is managed by ensuring any non-Euro cash receipts or payments are converted to Euros promptly The Group's exposure to foreign exchange risk is not considered material

Interest rate risk

The Group is exposed to interest rate risk primarily from its cash deposits which, because of their short maturities, earn interest on what is effectively a floating rate basis Short-term borrowings are also arranged on a floating rate basis when required If interest rates had been 0 5% higher or lower, and all other variables were held constant, then the Group's profit for the year ended 31 December 2011 would have increased or decreased by €2,000 (2010 €2,000) due to the Group's exposure to variable interest rates on its cash deposits The Group is not exposed to interest movements on its borrowings since they are held at a fixed rate

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance The Group's overall strategy remains unchanged from the prior year The capital structure of the Group consists of net debt (borrowings as detailed in Note 14, offset by cash and bank balances as detailed in Note 16) and equity of the Group (comprising issued capital, reserves, and retained earnings as detailed in the consolidated statement of changes in equity) The Group is not subject to any externally imposed capital requirements

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt

Notes to the consolidated financial statements (continued)

19 POST BALANCE SHEET EVENTS

In January 2012 MCB agreed with Rietumu Bank the yearly extension of its €17m revolving credit facility to the end of March 2014 Subsequently the Company refinanced the Rietumu facility in its entirety through the issue of asset backed bonds

On the 8th of March the Company completed a SEK 200 million (Euro 22 4 million) asset backed bond issue to investors in the Nordic region The issue constituted a first closing under a bond facility through which the Company can raise up to SEK 500 million (Euro 56 million)

The Company will use these proceeds to refinance its €17 million credit facility with Rietumu Bank and, together with further expected issues, provide additional funding for the continued growth of the Group's consumer loan portfolio in both current and new markets

The bonds rank as senior obligations of the Company and are secured against the Company's outstanding customer loan receivables They were issued at par, have a maturity of three years and carry a fixed coupon of 13% per annum, paid quarterly in arrears The bonds will be affiliated to Euroclear and listed on the Corporate Bond List of NASDAQ OMX prior to 1 July 2012

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