MCB Finance Group Plc

Annual Report and Accounts

For the year ended 31 December 2012

Company No. 06032184

Contents

THE YEAR IN REVIEW

Final results for the 12 months ended 31 December 2012

MCB Fınance Group Plc (AIM MCRB L) ("MCB", the "Group" or the "Company"), whıch provıdes consumer finance solutıons to retaıl customers ın Fınland, Estonıa, Latvıa, Lıthuanıa and Australıa, today announces ıts audıted results for the twelve month perıod endıng 31 December 2012

Operational & Financial Hıghlıghts

- Strong year-on-year lendıng volume growth Loan Prıncıpal Issued grew by 45% to €86 7m (FY 2011 €60 0m),
- Revenue growth of 50% to €27 3m ın the twelve months to 31 December 2012 versus the comparable prıor year perıod (FY 2011 €18 2m),
- Credıt qualıty maıntaıned, wıth ımpaırment costs of 18 9% of Revenue for 2012 (2011 16 0%), below strategıcally targeted levels,
- Operatıng Profit from Establıshed Markets Busınesses (Fınland, Estonıa, Latvıa and Lıthuanıa) of €7 8 mıllıon ın the twelve months to 31 December 2012, up 60% from the comparable prıor year perıod (FY 2011 €4 9m),
- Pro Forma Profit Before Tax from Establıshed Markets Busınesses of €4 0m ın FY 2012, up 10% from the comparable prıor year perıod (FY 2011 €3 7m), and
- Group Pro Forma Profit After Tax for the twelve months to 31 December 2012 of €1 7m (FY 2011 €3 0m), after deductıng costs relatıng to New Busınesses, and before unrealısed foreıgn exchange dıfferences and other non-cash ıtems

Business Overview

MCB Fınance Group ıs a leadıng consumer finance company provıdıng fast, convenıent and flexıble credıt solutıons under the *Credıt24* brand to retaıl customers ın Fınland, Estonıa, Latvıa, Lıthuanıa and Australıa In Fınland and the Baltıc markets, the Company ıs an establıshed and leadıng provıder of unsecured credıt, provıdıng loans up to €3,000 to qualıfyıng customers wıth maturıtıes of up to two years Loan products are desıgned to suıt customers' needs, wıth sımple and transparent terms and flexıble repayment schedules The Company operates ın a segment of the market that ıs typıcally under-served by larger financıal ınstıtutıons, and ıs focused on servıng hıgh qualıty customers wıth strong credıt hıstorıes Loans are currently offered on-lıne through the Company's *Credıt24* branded websıtes ın each market, as well as through certaın dıstrıbutıon partners

THE YEAR IN REVIEW (contınued)

OPERATIONAL REVIEW

The Group's Establıshed Markets Busınesses (consumer lendıng ın Fınland, Estonıa, Latvıa and Lıthuanıa) showed contınued strong momentum, experıencıng double dıgıt year-on-year lendıng volume growth for the twelve month perıod endıng 31 December 2012 Loan Prıncıpal Issued to customers durıng FY 2012 totalled €86 7m, an ıncrease of 45% compared to the prıor year perıod (FY 2011 €60m) Credıt performance remaıned strong ın 2012 wıth Impaırment Costs as a percentage of Revenue of 18 9%, below the low end of the Group's target range The profıt contrıbutıon from Establıshed Markets Busınesses remaıned strong and ıs expected to contınue to grow ın 2013 In addıtıon, at the end of 2011, the Group began ınvestıng ın selected new markets and product capabılıtıes ıdentıfıed as attractıve areas for future growth and profıtabılıty

Economıc Envıronment

The economıc envıronment ın the Group's exıstıng markets remaıned generally stable wıth estımated year-on-year GDP growth rates for 2013 rangıng between 0 3% (Fınland) and 3 8% (Latvıa) Unemployment has been on average flat-to-declınıng ın the Group's establıshed markets

GDP Growth Rates (% p.a.)

	2011	2012	2013F	2014F
Fınland	2 8%	-0 2%	0 3%	1 2%
Estonıa	8 3%	3 2%	3 0%	4 0%
Latvıa	5 5%	5 3%	3 8%	4 1%
Lıthuanıa	5 9%	3 6%	3 1%	3 6%
EU average	1 5%	-0 3%	0 1%	1 6%
Australıa	2 3%	3 5%	2 5%	3 0%

Source Eurostat 26/02/2013, Reserve Bank of Australıa

Loan Principal Issued

(€ thousands)	2012	2011	2H 2012	1H 2012	2H 2011	1H 2011	2011-2012 growth
Fınland	31,127	28,026	15,611	15,516	15,050	12,976	11 %
Estonıa	12,697	8,626	6,437	6,260	5,093	3,533	47 %
Lıthuanıa	30,718	17,772	15,706	15,012	10,554	7,217	73 %
Latvıa	12,139	5,565	6,341	5,798	3,564	2,001	118 %
Group Establıshed Markets	**86,681**	**59,988**	**44,095**	**42,586**	**34,261**	**25,727**	**45 %**

THE YEAR IN REVIEW (continued)

OPERATIONAL REVIEW

Revenue

Total Revenue for the twelve month period ending 31 December 2012 increased in all the Baltic markets compared to the previous year Revenue for the twelve months to 31 December 2012 grew by 50% to €27 3m (FY 2011 €18 2m)

Revenues

(€ thousands)	2012	2011	2H 2012	1H 2012	2H 2011	1H 2011	2011-2012 growth
Finland	8,354	7,400	4,063	4,291	3,924	3,476	13 %
Estonia	5,508	3,397	3,024	2,485	1,928	1,469	62 %
Lithuania	9,035	5,755	4,819	4,215	3,283	2,472	57 %
Latvia	4,349	1,630	2,597	1,752	1,078	552	167 %
Group Established Markets	**27,246**	**18,182**	**14,503**	**12,743**	**10,213**	**7,969**	**50 %**

Credit Quality

Overall credit quality remained strong during the period with expected loss rates for loan pools granted during 2012 of 5 5%, below the low end of the Group's 6%-7% target range Impairment Costs for the twelve months ending 31 December 2012 were 18 9% of Revenues (2011 16 0%), below the low end of the Group's 20-30% target range

Impairment Costs incurred in 2012 showed a return to more normal impairment levels from the below-target impairment levels experienced during 2011, which resulted from the Group's then very tight credit settings and an unusually high level of write-backs

Impairment

(€000s)	2012	2011	2010
Provisions for impairment related to continuing lending operations	5,998	4,356	3,238
as % of revenue	22 0%	24 0%	27 5%
Impairment provison reversal	836	1,454	434
Provision charged to statement of comprehensive income	5,163	2,901	2,805
as % of revenue	18 9%	16 0%	23 8%

THE YEAR IN REVIEW (continued)

FINANCIAL REVIEW

Established Markets Businesses

To facilitate comparison and to provide greater transparency regarding underlying profitability, we have provided detail on Established Markets Businesses and New Business performance separately, as well as the proportion of central costs dedicated to supporting each area of activity Details of the performance of Established Markets Businesses and New Businesses are provided below

For the twelve month period ending 31 December 2012, Revenue for the Established Markets Businesses was €27 2m, an increase of approximately 50% over the comparable prior year period (FY 2011 €18 2m) on lending volume of €86 7m, up 45% from the prior year period (FY 2011 €60 0m)

Impairment Costs totalled €5 1m for the twelve month period to 31 December 2012, equivalent to approximately 18 8% of Revenue, up from €2 9m or approximately 16 0% of Revenue in FY 2011 The low impairment levels in 2011 reflect the Group's then tighter credit criteria and an unusually high level of write-backs The Group has now returned to more normal impairment and write-back levels, in line with targeted levels, and expects these to remain in line with, or slightly above, current levels going forward

Administrative and Direct Operating Expenses related to Established Markets Businesses for the twelve month period to 31 December 2012 were €10 5m, equivalent to approximately 38% of Revenue (2011 €7 9m, 43% of Revenue)

As a result, the Contribution Margin (profit from operations before unallocated central overhead and financial costs) from Established Markets Businesses for the twelve months ending 31 December 2012 was €11 7m, an increase of approximately 57% over the prior year period (2011 €7 4m) All Established Markets Businesses contributed positively to Group results

Established Markets Business Financial Performance

(€000s)	2012	2011	% change
Principal Lent	86,681	59,987	44 5 %
Net Customer Loan Receivables	33,074	22,360	49 %
Revenue	**27,246**	**18,182**	49 9 %
Impairment Costs	-5,113	-2,901	76 2 %
as % of Revenue	18 8%	16 0%	
Direct and Admin costs	-10,463	-7,856	33 2 %
as % of Revenue	38 4%	43 2%	
Contribution Margin - Established Markets	**11,670**	**7,424**	57 2 %
as % of Revenue	42 8%	40 8%	
Central Costs related to Established Markets	-3,842	-2,554	50 4 %
Operating Profit - Established Markets	**7,828**	**4,870**	60 7 %
as % of Revenue	28 7%	26 8%	

Allocating Central Costs between Established Markets Businesses and New Businesses, based on activity and function, shows an Operating Profit for the twelve months ending 31 December 2012 for Established Markets Businesses of €7 8m, up 61% from €4 9m in the comparable prior year period

THE YEAR IN REVIEW (continued)

New Business Costs & Consolidated Financial Performance

During 2012, the Company undertook a series of investments with a view to strengthening certain central functions, to prepare and launch a 'pilot' project for consumer lending in Australia, and to develop certain other new businesses identified by management and the Board as being attractive areas of future growth Costs related to these activities recognised in the Statement of Comprehensive Income totalled €1 5m in the twelve month period to 31 December 2012 (2011 €nil) Capitalised development costs for 2012 related to these activities were €0 6m

New Business Costs & Consolidated Financial Performance
(recognised in the Consolidated Statement of Comprehensive Income)

(€000s)	2012	2011	% change
Operating Profit - Established Markets	7,828	4,870	60 7 %
Operating Profit - New Business	-1,513	-	
Consolidated Operating Profit	**6,315**	**4,870**	29 7 %
Financing Costs	-3,790	-1,200	215 8 %
Profit Before Tax	**2,525**	**3,670**	-31 2 %
Income Tax Expense	-819	-702	16 6 %
Pro Forma Profit After Tax	**1,706**	**2,967**	-42 5 %
Refinancing costs	-80	-	
Foreign exchange loss on borrowings	-904	-	
Gains/losses arising on derivatives	9	-	
Cost of employee share options	-93	-94	
Group Net Income	**637**	**2,873**	-76 4 %

Consolidated Operating Profit for the twelve months ending 31 December 2012 was €6 3m (FY 2011 €4 9m), comprising €7 8m Operating Profit from Established Markets Businesses and €1 5m Operating Losses related to New Businesses

Reflecting the recent inaugural SEK bond issue and the growth in the Group's loan book, Net Financing Costs for the twelve month period ending 31 December 2012 were €3 8m, an increase of €2 6m over the prior year period (FY 2011 €1 2m)

Excluding unrealised foreign exchange losses related to the Group's SEK bond, the gains and losses arising on derivatives and the costs of employee share options, Profit Before Tax was €2 5m for the twelve month period ending 31 December 2012 (FY 2011 €3 7m)

Pro Forma Profit After Tax was €1 7m for the twelve month period ending 31 December 2012 (FY 2011 €3 0m) The Company accrued a €0 8m tax liability for the year (FY 2011 €0 7m), primarily on account of its Finnish and Lithuanian operations, but also in relation to the Group's Latvian operations No corporation tax is payable in Estonia unless a distribution is made

THE YEAR IN REVIEW (continued)

New Business Costs & Consolidated Financial Performance (continued)

Including an unrealised foreign exchange loss of €0 9m and €0 09m costs relating to employee share options, Group Net Income for the twelve month period to 31 December 2012 was €0 6m, compared to €2 9m for the prior year period

Unrealised foreign exchange losses on borrowings are due to the Group's SEK exposure in relation to its SEK-denominated bond During the period from the issuance of the two tranches of bonds in March and July 2012, the Euro exchange rate weakened against the Swedish Krona, resulting in an unrealised foreign exchange loss for FY 2012 of €0 9m

The Group's SEK exposure is hedged using Euro/SEK currency options, which limit the Group's exposure to a 5% weakening in the value of the Euro over the three year maturity of the bond Including the benefit from the offsetting market value changes to the currency options, the net impact on Shareholders' Equity of foreign exchange movements relating to the Group's SEK bond during 2012 was €-0 9m The figures are presented in the table on page 7

In May 2012, dividends of €0 8m were paid to shareholders in respect of the Group's financial performance during 2011

Statement of Financial Position

As of 31 December 2012, Net Customer Loan Receivables totalled €33 3m (net of impairment provisions), an increase of 49% from €22 4m at the end of 2011 As of 31 December 2012, Gross Borrowings totalled €28 9 million, reflecting the bond principal outstanding, net of costs relating to the offering in accordance with IAS 39 (31 December 2011 €13 7m) Net Debt as of 31 December 2012 totalled €23 3 million (31 December 2011 €11 5m) Cash & Cash Equivalents as of 31 December 2012 were €5 7m (31 December 2011 €2 2m)

The Group's Equity Ratio was 25 7% as of 31 December 2012 compared to 40 7% in the previous year The Group's Net Debt to Net Receivables Ratio was 69 8% as of 31 December 2012 compared to 51 6% as of 31 December 2011

Summary Statement of Financial Position

(€000s)	2012	2011	% change
Net customer loan receivables	33,310	22,360	49 0 %
Cash	5,656	2,170	160 6 %
Other assets	4,085	1,486	174 9 %
Total assets	43,051	26,017	65 5 %
Borrowings	28,915	13,700	111 1 %
Net Debt	23,259	11,530	101 7 %
Equity	11,086	10,586	4 7 %
Equity ratio [1]	25 7 %	40 7 %	
Equity / net receivables	33 3 %	47 3 %	
Net debt / assets	54 0 %	44 3 %	
Net debt / net receivables	69 8 %	51 6 %	

(1) Equity / Total Assets

THE YEAR IN REVIEW (continued)

New Business Costs & Consolidated Financial Performance (continued)

Bond Issue & Funding

On 8 March 2012, the Group completed a SEK 200 million (€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 Group can raise up to SEK 500 million, with the majority of proceeds from the issue used to refinance the Group's €17 million credit facility with Rietumu Bank and to fund the continued growth of the Group's consumer loan portfolio

On 2 July 2012, the Group completed a second issue of asset-backed bonds totalling SEK 60 million (€6 8m)

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

To ensure flexibility regarding its future funding and capital needs, the Group secured bondholder approval in January 2013 for a change to the current definition of its Equity Ratio covenant to allow the issuance of a range of subordinated capital instruments, in addition to common equity The Group also secured approval from its bondholders for a change in the terms and conditions of its bond agreement relating to the currency denomination of future bond issues, which will allow the issuance of Euro-denominated, in addition to Swedish Krona denominated, bonds The issuance of bonds denominated in Euros would have the effect of reducing the Group's foreign exchange risk and reduce the associated hedging costs relating to non-Euro denominated issues

As part of its continued growth and development strategy, the Group is expected to have on-going financing needs, which it envisages meeting through a combination of future debt, equity and subordinated capital issuance

New Business Development

During 2012, the Company undertook a series of investments with a view to strengthening certain central functions, to develop its Established Markets Businesses further, and to develop certain New Businesses identified by management and the Board as being attractive areas of future growth In July 2012, the Company launched a consumer lending business in Australia, trading under the *Credit24* brand, to address the market opportunity presented by a population of approximately 22 million against a combined population in the Company's established markets of 12 million In addition, the Company continued its development of a proprietary on-line sales finance platform, which was launched in December 2012 in Lithuania, and further developed its existing lending and credit systems to maintain competitiveness and facilitate the introduction of new and more flexible consumer credit products and services

Regulatory Environment

In Finland, parliament has approved changes to the regulatory environment which are expected to come into force during 2013, including certain annual percentage rate and fee limitations and enhanced requirements for consumer lenders MCB welcomes the development, which has clarified the regulatory framework in the Finnish market

THE YEAR IN REVIEW (continued)

New Business Costs & Consolidated Financial Performance (continued)

Regulatory Environment (continued)

In January 2012, Lithuania introduced a strengthened regulatory regime, including certain annual percentage rate limitations The introduction of additional requirements for the industry had a generally positive impact on MCB Finance in Lithuania since the requirements favour consumer lenders with stronger organisations and rigorous lending processes

The Company maintains an active role in these and other regulatory processes, and remains confident of its ability to comply fully with its obligations in this regard

Outlook

The Company continues to experience strong customer demand and expects sustained lending volume and revenue growth in its Established Markets Businesses in future periods Credit performance remains strong and cost increases related to Established Markets Businesses are expected to be moderate, allowing the Group to realise operating leverage to its earnings as lending volumes continue to grow

The Group has invested a total of €2 1m in 2012 to strengthen various central functions, to upgrade its technology platforms, to develop a number of new product lines in existing markets, as well as to enter additional new markets as part of the Company's strategy to expand geographically Over time, we expect entry into additional markets and categories to contribute significantly to the Group's overall growth and profitability

REVIEW OF COUNTRY OPERATIONS

The Group's current operations in Finland, Estonia, Latvia, Lithuania and Australia together contributed €7 25m in pre-tax profits in 2012, excluding Group central costs, an increase of 17% from €6 22m in 2011 All countries were profitable during the year, excluding Australia, which was launched in July 2012

The Group's central functions, based in Tallinn and Helsinki, comprise its senior management, credit and financial control, systems development and maintenance, and certain other key central functions Total costs for the central organisation were €4 7m in 2012, up from €2 6m in 2011, including €0 88m relating to additional management and platform development costs associated with the Company's online sales finance and other new business initiatives

Profit before tax

(€000s)	2012	2011	change
Finland	2,093	2,319	-10 %
Estonia	1,821	1,340	36 %
Latvia	903	463	95 %
Lithuania	3,064	2,101	46 %
Total Established Markets	**7,882**	**6,224**	27 %
Australia	-630	-	
Total New Businesses	**-630**	**-**	
Group Total	**7,252**	**6,224**	17 %
Central Costs	-4,709	-2,554	84 %
Group Profit Before Tax	**2,542**	**3,670**	31 %

THE YEAR IN REVIEW (continued)

REVIEW OF COUNTRY OPERATIONS (continued)

Finland

Finland is the Group's largest market, representing 36% of principal issued during 2012, down from 47% during 2011 Lending volumes increased 11% while Profit Before Tax was €2 1m, compared to €2 3m in 2011 The expansion of the product range and launch of the new customer service website during the year were well received Impairment was 24 6% of revenue, within the Group's target range Direct and administrative costs rose 19%, mainly due to increased lending volumes and marketing expenditure

(€000s)	2012	2011	% change
Loan principal issued	31,127	28,026	11 %
Net customer loan receivables	10,551	9,023	17 %
Revenue	8,354	7,400	13 %
Impairment	-2,057	-2,083	1 %
as % of Revenue	24 6 %	28 1%	
Direct and admin costs	-3,028	-2,552	19 %
Finance costs	-1,176	-447	163 %
Profit Before Tax	**2,093**	**2,319**	10 %
as % of Revenue	25 0%	31 3%	

Estonia

Lending volumes in Estonia grew 47% to €12 7 million during 2012 Profit before tax grew 36% to €1 8m, up from €1 3m in 2011 Impairment costs were 18% of revenue The increase in Direct and administrative costs reflected higher lending volumes

(€000s)	2012	2011	% change
Loan principal issued	12,697	8,626	47 %
Net customer loan receivables	6,059	3,897	55 %
Revenue	5,508	3,397	62 %
Impairment	-990	-157	531 %
as % of Revenue	18 0%	4 6%	
Direct and admin costs	-1,936	-1,666	16 %
Finance costs	-762	-234	226 %
Profit Before Tax	**1,821**	**1,340**	36 %
as % of Revenue	33 1 %	39 5%	

THE YEAR IN REVIEW (continued)

REVIEW OF COUNTRY OPERATIONS (continued)

Latvia

Latvian growth has been strong after the Group re-launched its operations in the market in late 2010 Lending volumes grew 118% to €12 1m in 2012, while Impairment costs increased to 25 8% of revenue, reflecting more normal provision costs as a percentage of revenue post the re-launch of the business Profit before tax was €0 9m in 2012

(€000s)	2012	2011	% change
Loan principal issued	12,139	5,565	118 %
Net customer loan receivables	4,685	2,231	110 %
Revenue	4,349	1,630	167 %
Impairment	-1,121	142	n/a
as % of Revenue	25 8%	-8 7%	
Direct and admin costs	-1,758	-1,194	47 %
Finance costs	-567	-114	397 %
Profit Before Tax	**903**	**463**	95 %
as % of Revenue	20 8%	28 4%	

Lithuania

Lithuania recorded strong lending volume growth during the year, reflecting the Group's position as one of the largest non-bank lenders in the market Lending volumes were up 73% to €30 7m (FY2011 €17 8m) year-on-year Profit before tax increased to €3 1m, up from €2 1m in 2011 Impairment costs remained low at 10% of revenue, reflecting strong credit performance and write-backs

(€000s)	2012	2011	% change
Loan principal issued	30,718	17,771	73 %
Net customer loan receivables	11,779	7,210	63 %
Revenue	9,035	5,755	57 %
Impairment	-945	-804	18 %
as % of Revenue	10 5%	14 0%	
Direct and admin costs	-3,742	-2,444	53 %
Finance costs	-1,282	-406	216 %
Profit Before Tax	**3,065**	**2,101**	46 %
as % of Revenue	33 9%	36 5%	

THE YEAR IN REVIEW (continued)

REVIEW OF COUNTRY OPERATIONS (continued)

Australia

The Company's Australian business was launched in July 2012 in an initial 'pilot' phase to test market receptivity and the Company's credit settings for the market Loan principal issued through to the end of December 2012 was €0 3m and Profit before tax was €-0 6m Operating losses for the business reflect the recent launch of the operation

(€000s)	2012	2011	% change
Loan principal issued	272	-	n/a
Net customer loan receivables	236	-	n/a
Revenue	27	-	n/a
Impairment	-50	-	n/a
as % of Revenue	181 5 %		
Direct and admin costs	-605	-	n/a
Finance costs	0	-	n/a
Profit Before Tax	-631	-	n/a
as % of Revenue	n/a		

BOARD OF DIRECTORS

Executive Directors

1. Rami Ryhanen
Chief Executive Officer (Age 45)

Mr Ryhänen has been CEO of the Company since its inception in 2005, and 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 Paul Aylieff (Appointed 17 September 2012)
Chief Financial Officer (Age 48)

Mr Aylieff has over 25 years' experience in corporate and investment banking, having worked in London and New York in a range of senior positions in Corporate Finance, Mergers & Acquisitions and Corporate Banking, most recently for RBS, Bank of America and Merrill Lynch At Bank of America Merrill Lynch, he was Head of EMEA Corporate Banking, following the two firms merging in January 2009 Paul holds an M A in Economics from Cambridge University and an M Sc in Accounting and Finance from the London School of Economics

3. Henry Nilert
Head of Corporate Development (Age 41)

Mr Nilert joined the Company as CFO in March 2006, and has had an integral role in building the Company into a leading provider of credit solutions in its markets 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, before its sale to Terra Mobile SA Mr Nilert previously worked in investment banking in London, New York and Helsinki He graduated from Dartmouth College with a B A in Political Sciences

Non-Executive Directors

4. Dr. Anton Mayr
Non-Executive Chairman (Age 50)

Dr Mayr, who has been a Non-Executive Director of the Company since its inception in 2005, has close to 25 years of combined entrepreneurial, venture capital and private equity and legal experience He is the founder and Managing Director of Stratos Ventures Inc , a United States venture development company Dr 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 Dr Mayr holds a Dr iur (doctorate in law) from Salzburg University Law School, Austria as well as an LLM from McGeorge School of Law and an MBA from Columbia University Business School

5. Philippe Duleyrie
Non-Executive Director (Age 55)

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

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012

Principal activity

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

Business review and future developments

A review of 2012, together with an outlook on future developments, is contained in the Year in Review on pages 2 to 12

Results and dividends

The profit attributable to shareholders for the year ended 31 December 2012 was €636,772 (2011 profit of €2,872,889) as set out in the consolidated statement of comprehensive income on page 21

Dividends totalling €772,149 were paid to shareholders during the year (2011 €nil) No dividends are proposed for 2012

Directors

Biographies of the current Directors, all of whom served during the year, are set out on page 13

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				
	2012		2011		
	Number	**%**	Number	%	
Rami Ryhänen	**124,542**	**0.7**	124,542	0 7	(a)
Henry Nilert	**1,228,222**	**7.0**	987,222	5 9	(b)
Philippe Duleyrie	**803,861**	**4.6**	544,211	3 3	

(a) Held through Solotel Oy
(b) 669,603 shares held directly (2011 428,603), and the remaining shares held through Birch Holding Limited

Directors' emoluments

The directors received the following emoluments and held the following number of options over the ordinary shares of the Company in 2012

31 December 2012:

	Salary / Fees	Bonus	Benefits	Share incentive plans		
	€		€	Options held at 31 December 2012	Options exercised during 2012	Exercise price
Rami Ryhänen	161,589	140,780	16,235	642,000	-	-
Paul Aylieff	116,000	-	-	-	-	-
Henry Nilert	169,440	140,778	-	466,362	241,000	41 0p
Anton Mayr	65,000	-	-	107,500	-	-
Philippe Duleyrie	50,000	-	-	107,500	-	-
	562,029	281,558	16,235	1,323,362	241,000	-

DIRECTORS' REPORT (continued)

Directors' emoluments (continued)

31 December 2011:

	Salary / Fees	Bonus	Benefits	Share incentive plans*		
	€		€	Options held at 31 December 2011	Options granted during 2011	Exercise price
Rami Ryhänen	132,786	24,000	11,214	642,000	250,000	41p – 76p
Henry Nilert	144,000	24,040	–	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
	351,786	48,040	11,214	1,564,362	715,000	–

*All share options granted since June 13th 2011 are exercisable only if a trigger price of 150p per share is reached See Note 13(c)

Share options exercised during the year

During the year a director of the Company, H Nilert, exercised options over 241,000 ordinary shares of 10p each in the Company with an exercise price of 41p per share The gain made on the exercise of those shares was €112,656 Rietumu Bank exercised its option to purchase 724,760 ordinary shares of 10p each in the Company with an exercise price of 45p per share An employee of the Company exercised their options over 10,000 ordinary shares of 10p each in the Company with an exercise price of 50p per share The new Ordinary shares rank *pari passu* with existing Ordinary shares

Donations

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

Financial risk management objectives and policies

The Group's objectives and policies in relation to financial risk management are set out in Note 21 to the financial statements on page 52

Creditor payment policy

The Group 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 2012, average creditor days were 30 (2011 28)

Capital Management

The Group's policy is to finance working capital through retained earnings and through borrowings at prevailing market interest rates To limit the Group's exposure to financial risk in respect of its issued SEK-denominated bond, the Group uses Euro/SEK currency options The currency options limit the Group's exposure to a maximum 5% weakening in the value of the Euro over the three year life of the bond The Group does not actively use any other financial instruments as part of its financial risk management The Group's objectives in relation to financial instruments are set out in Note 21 to the financial statements

Principal risks and uncertainties

The Group's approach and response to risks and uncertainties is set out in the Year in Review and in Note 21 to the financial statements

DIRECTORS' REPORT (continued)

Significant shareholdings

The significant shareholdings in the Company as at 31 December 2012 were as follows

Notifier	No of shares	Percentage of issued ordinary shares
MC Global Limited	7,659,039	43 37%
IIU Nominees Limited	2,581,281	14 62%
Orient Equity Partners	2,129,504	12 06%
Henry Nilert *	1,228,222	6 95%
P Lorange	844,021	4 78%
P Duleyrie	803,961	4 55%
Europanel AB	740,000	4 19%
Conils Ltd	681,577	3 86%
Hansa Eastern European Equity Fund	533,333	3 02%

* 669,603 shares held directly (2011 428,603), and the remaining shares held through Birch Holding Limited

Corporate Social Responsibility

The Corporate Social Responsibility approach adopted throughout the Company reflects the Group's core values and business practices The Board believes that responsible and ethical conduct is fundamental to the Group's everyday business, and considers Corporate Social Responsibility as a set of principles that assist in determining best business practices The Group is committed to follow laws and regulations, as well as to meet its obligations towards its stakeholders

Responsibility towards stakeholders includes actions and dialogue between the stakeholders, only offering responsible products and services, and maintaining transparent and clear communication with customers, employees and investors

The Group pays attention to the leadership and well-being of its personnel The Group is committed to equal opportunity and diversity Selection criteria are geared strictly to selecting candidates who have the best experience and skills for job Recruitment methods are reviewed regularly The Group is committed to ensuring the health, safety and welfare of its 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

DIRECTORS' REPORT (continued)

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
Waverley House
7-12 Noel Street
London
W1F 8GQ

25 April 2013

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 19 and 20, 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 a 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 2012

We have audited the financial statements of MCB Finance Group Plc for the year ended 31 December 2012, 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 (IFRS) 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 18, 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 Financial Reporting Council's website at www frc org uk/auditscopeukprivate

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 2012 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

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

26 April 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	2012 €	2011 €
Revenue	3	**27,273,652**	**18,181,618**
Impairment		**(5,162,811)**	**(2,901,202)**
Direct operating expenses		**(4,614,610)**	**(3,022,076)**
Administrative expenses		**(11,337,841)**	**(7,482,559)**
Operating profit		**6,158,390**	**4,775,781**
Interest receivable		**968**	**805**
Interest payable		**(3,791,031)**	**(1,201,274)**
Financing foreign exchange losses on borrowings		**(904,178)**	-
Gain / losses arising on derivatives	20	**9,436**	-
Profit before income tax	4	**1,473,585**	**3,575,312**
Income tax expense	6	**(819,202)**	**(702,423)**
PROFIT FOR THE YEAR		**654,383**	**2,872,889**
Other comprehensive income		**(17,611)**	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**636,772**	**2,872,889**

Proforma profit calculation

	2012	2011
Profit before tax	**1,473,585**	**3,575,312**
Cost of employee share options	**93,438**	**94,216**
Foreign exchange losses on borrowings	**904,178**	–
Gains / losses arising on derivatives	**(9,436)**	–
Refinancing Costs	**80,450**	–
Proforma profit before taxation	**2,542,215**	**3,669,528**
Taxation	**(819,202)**	**(702,423)**
Proforma profit after taxation	**1,723,013**	**2,967,105**

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

	Note	2012 €	2011 €
Basic earnings per share	7	**0 0367**	**0 1672**
Diluted earnings per share	7	**0.0361**	**0.1672**

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 €334,473 (2011 €370,707)

The accompanying notes on pages 27 to 54 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Note	2012 €	2012 €	2011 €	2011 €
ASSETS					
Non-current assets					
Goodwill & intangible assets	9	**2,410,088**		872,224	
Property, plant and equipment	10	**99,505**		52,596	
Deferred tax asset	6	**120,600**		161,031	
Trade and other receivables	12	**3,483,736**		1,616,611	
Total non-current assets			**6,113,929**		2,702,462
Current assets					
Trade and other receivables	12	**30,363,172**		21,144,100	
Derivatives	20	**918,344**		–	
Cash and cash equivalents	17	**5,655,941**		2,170,410	
Total current assets			**36,937,457**		23,314,510
Total assets			**43,051,386**		26,016,972
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Issued share capital	13	**2,558,960**		2,440,143	
Share premium account		**5,006,558**		4,601,606	
Capital redemption reserve		**102,317**		102,317	
Foreign exchange reserve		**39,281**		21,670	
Share option reserve		**511,713**		519,570	
Retained earnings		**2,866,919**		2,901,001	
Total equity			**11,085,748**		10,586,307
Current liabilities					
Trade and other payables	14	**1,900,260**		1,108,055	
Current income tax liabilities		**306,635**		115,251	
Deferred revenue		**843,459**		507,359	
Short-term borrowings	15	–		13,700,000	
Total current liabilities			**3,050,354**		15,430,665
Non-Current Liabilities					
Long Term Borrowings	15	**28,915,284**		–	
			28,915,284		–
Total equity and liabilities			**43,051,386**		26,016,972

The financial statements on pages 21 to 54 were approved by the Board of Directors and authorised for issue on 25 April 2013 and were signed on its behalf by

A Mayr
Chairman

P Aylieff
Chief Financial Officer

Company No 06032184

The accompanying notes on pages 27 to 54 form an integral part of these consolidated financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Note	€	2012 €	€	2011 €
ASSETS					
Non-current assets					
Investments in subsidiaries	11	**9,794,747**		9,794,747	
Total non-current assets			**9,794,747**		9,794,747
Current assets					
Trade and other receivables	12	**5,304**		322,485	
Cash and cash equivalents	17	**17**		1,540	
Total current assets			**5,321**		324,025
Total assets			**9,800,068**		10,118,772
EQUITY AND LIABILITIES					
Equity					
Issued share capital	13	**2,558,960**		2,440,143	
Share premium account		**5,006,558**		4,601,606	
Capital redemption reserve		**102,317**		102,317	
Foreign exchange reserve		**21,670**		21,670	
Share option reserve		**511,713**		519,570	
Retained earnings		**1,352,318**		2,357,645	
Total equity			**9,553,536**		10,042,951
Current liabilities					
Trade and other payables	14	**246,532**		75,821	
Total current liabilities			**246,532**		75,821
Total equity and liabilities			**9,800,068**		10,118,772

The financial statements on pages 21 to 54 were approved by the Board of Directors and authorised for issue on 25 April 2013 and were signed on its behalf by

A Mayr
Chairman

P Aylieff
Chief Financial Officer

Company No 06032184

The accompanying notes on pages 27 to 54 form an integral part of these consolidated financial statements

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

		Group		Company	
		2012	2011	**2012**	2011
	Note	**€**	€	**€**	€
Cash flow (used in)/generated from operating activities					
Cash (used in)/generated from operations	17	**(9,385,276)**	(7,282,986)	**245,404**	82,412
Income tax paid		**(746,167)**	(774,570)	–	–
Net cash (used in)/generated from operating activities		**(10,131,443)**	(8,057,556)	**245,404**	82,412
Cash flow from investing activities					
Investment in subsidiaries		–	–	–	(1)
Purchase of property, plant and equipment		**(99,910)**	(46,133)	–	–
Purchase of intangible assets		**(1,251,474)**	(94,557)	–	–
Gain from disposal of property, plant and equipment		–	70	–	–
Net cash used in investing activities		**(1,351,384)**	(140,620)	–	(1)
Cash flow from financing activities					
Issue of share capital		**525,222**	–	**525,222**	–
Repayments on borrowings		**(13,700,000)**	–	–	–
Proceeds from borrowings		**28,915,284**	8,500,000	–	–
Dividends paid		**(772,149)**	–	**(772,149)**	–
Share buyback		–	(81,292)	–	(81,292)
Net cash from/(used in) financing activities		**14,968,357**	8,418,708	**(246,927)**	(81,292)
Increase/(decrease) in cash and cash equivalents		**3,485,531**	220,532	**(1,523)**	1,119
Cash and cash equivalents at 1 January	17	**2,170,410**	1,949,878	**1,540**	421
Cash and cash equivalents at 31 December	17	**5,655,941**	2,170,410	**17**	1,540

The accompanying notes on pages 27 to 54 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2012

Attributable to the owners of the Company

	Share capital	Share premium	Capital redemption reserve	Foreign exchange reserve	Share options reserve	Retained earnings	Total
	€	€	€	€	€	€	€
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
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	21,670	(36,85	3,880,37	12,294
Balance at 1 January 2012	**2,440,143**	**4,601,606**	**102,317**	**21,670**	**519,57**	**2,901,0**	**10,586,307**
Comprehensive income							
Profit for the financial period	–	–	–	–	–	**636,77**	**636,77**
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	**636,772**	**636,772**
Arising on the exercise of employee share options	**118,817**	**404,952**	–	–	**(41,221)**	**41,221**	**523,769**
Arising on employee shares option lapsed during the period	–	–	–	–	**(60,074)**	**60,074**	–
Amount charged to the employee share option reserve	–	–	–	–	**93,438**	–	**93,438**
Translation differences on foreign currencies	–	–	–	**17,611**	–	–	**17,611**
Dividends	–	–	–	–	–	**(772,149)**	**(772,149)**
Total	**118,817**	**404,952**	–	**17,611**	**(7,857)**	**(670,854)**	**(137,331)**
Balance as at 31 December 2012	**2,558,960**	**5,006,558**	**102,317**	**39,281**	**511,713**	**2,866,919**	**11,085,748**

The accompanying notes on pages 27 to 54 form an integral part of these consolidated financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 31 December 2012

	Attributable to the owners of the Company						
	Share capital	Share premium	Capital redemption reserve	Foreign exchange reserve	Share options reserve	Retained earnings	Total
	€	€	€	€	€	€	€
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)
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 buy back	(102,317)	–	102,317	21,670	–	(102,962)	(81,292)
Reduction in share premium	–	(3,852,264)	–		–	3,852,864	–
Total	(102,317)	(3,852,264)	102,317	21,670	(36,858)	3,880,376	12,924
Balance at 1 January 2012	**2,440,143**	**4,601,606**	**102,317**	**21,670**	**519,570**	**2,357,645**	**10,042,951**
Comprehensive income							
Loss for the financial period	–	–	–	–	–	**(334,473)**	**(334,473)**
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	**(334,473)**	**(334,473)**
Arising on the exercise of employee share options	**118,817**	**404,952**	–	–	**(41,221)**	**41,221**	**523,769**
Arising on employee shares option lapsed during the period	–	–	–	–	**(60,074)**	**60,074**	–
Amount charged to the employee share option reserve	–	–	–	–	**93,438**	–	**93,438**
Dividends	–		–	–	–	**(772,149)**	**(772,149)**
Total	**118,817**	**404,952**	–	–	**(7,857)**	**(670,854)**	**(154,942)**
Balance at 31 December 2012	**2,558,960**	**5,006,558**	**102,317**	**21,670**	**511,713**	**1,352,318**	**9,553,536**

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

The foreign exchange reserve arises on the translation differences that result from foreign currencies as a result of share buyback transactions and the consolidation of foreign subsidiaries

Share option reserve arises on the grant of share options to employees under the employee share option plan

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

The accompanying notes on pages 27 to 54 form an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1 ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2012

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, Australia 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 Waverley House, 7-12 Noel Street, London, W1F 8GQ

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 functional currency of the Company is the pound sterling (£) 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

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

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, in order to meet the growth strategy, the Group will strengthen is funding position

As part of its continued growth and development strategy, the Group is expected to have on-going financing needs, which it envisages meeting through a combination of future debt, equity and subordinated capital issuance The Group has a SEK 500m senior secured bond facility, of which it has utilised SEK 260m In addition, in March 2013, the Group completed the issuance of SEK 50m of subordinated unsecured bonds under a new SEK 100m bond facility

The Group also secured approval from its bondholders for a change in the terms and conditions of its senior bond facility agreement relating to the currency denomination of future bond issues, which allows the issuance of Euro-denominated, in addition to Swedish Krona denominated, bonds The issuance of bonds denominated in Euros would have the effect of reducing the Group's foreign exchange risk and reducing the associated hedging costs relating to non-Euro denominated issues

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future The expectations are based on the strategy of the group, maintenance of sufficient funding for the growth of the business and the adequate resources in the Group to ensure the quality its operations, as well the development of its operations

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Going concern (continued)

On this basis, these consolidated financial statements have been prepared on the assumption that the Group continues as a going concern

Changes in accounting policy and disclosures

(a) New and amended standards, and interpretations, mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

IFRS 7 (amendment) – 'Financial instruments' – effective 1 July 2011
IFRS 1 (amendment) – 'Hyperinflation and Removal of fixed dates for first-time adopters' – effective 1 July 2011
IAS 12 (amendment) – 'Deferred tax' – effective 1 January 2012

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

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

IFRS 1 (amendment) – 'Government Loans' – effective 1 January 2013
IFRS 7 (amendment) – 'Financial Instruments' – effective 1 January 2013
IFRS 9 – 'Financial instruments' – effective 1 January 2015
IFRS 10 – 'Consolidated financial statements' – effective 1 January 2014
IFRS 11 – 'Joint arrangements' – effective 1 January 2014
IFRS 12 – 'Disclosures of interests in other entities' – effective 1 January 2014
IFRS 13 – 'Fair value measurement' – effective 1 January 2013
IAS 1 (amendment) – 'Presentation of items of other comprehensive income' – effective 1 July 2012
IAS 19 (amendment) – 'Employee benefits' – effective 1 January 2013
IAS 27 (revised 2011) – 'Separate Financial statements' – effective 1 January 2014
IAS 28 (revised 2011 – 'Associates and joint ventures' – effective 1 January 2014
IAS 32 (amendment) – 'Financial Instruments' – effective 1 January 2014
IFRIC 20 (interpretation) – 'Stripping costs in the production phase of a surface mine' – 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

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 The senior management team consists of the CEO, the CFO and the Head of Corporate Development The members of the senior management team were members of the Board of Directors in 2012

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

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 consist of trademark and other licenses, software, goodwill and unfinished software development, as well as a credit licence in respect of the acquired company 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 The costs related to the credit licence of the acquired company are depreciated over five years using a straight-line method For all other classes of intangible assets, the principal annual rate of amortisation is 33% per annum

Software development recognised in the balance sheet is identifiable and the costs are measurable The asset is expected to generate future economic benefits Unfinished software capitalised in 2012 will be amortised once completed and in use Capitalised software development will be amortized on a straight-line basis over its useful life

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

Investments in subsidiaries

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

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 when the Group becomes a party to the contractual provisions of the instrument

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables Trade and other receivables include customer loan 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

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 include cash held in escrow raised through the issuance of senior secured bonds and not yet deployed as issued principal Under the terms and conditions of the Company's senior secured bond facility agreement, cash can be drawn from the escrowed account based on a pre-agreed percentage of issued net loan 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

Derivative financial instruments

The Company uses derivatives to hedge its currency exposure on issued SEK-denominated bonds Derivatives are initially measured at cost and subsequently measured at fair value through the profit or loss statement The derivatives are classified as current assets The carrying amount at the reporting date represents accumulated changes in the fair value of derivative financial instruments Changes in the fair value of derivatives are recognised in the statement of comprehensive income

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, as well as the fees and interest receivable from loans issued in the prior period if their maturity extends into the year Fees and interest are recognised on a time-proportion basis using the effective interest method Fees from penalty interest 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

In respect of the Company, the applicable year end exchange rates were €1 1933/£1 (2011 €1 956/£1) The average exchange rate for the year was €1 2332/£1 (2011 €1 1514/£1)

The subsidiaries report locally in currencies with year end exchange rates as follows €1=0 7028 LVL, €1=3 4528 LTL, €1=1 2712 AUD, €1=8 6166 SEK The average exchange rates for the year were €1=0 7028 LVL, €1=3 4528 LTL, €1=1 2401 AUD Estonia and Finland are both Eurozone countries

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

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Taxation and deferred taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are 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

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 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)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2.2 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) 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 9

(b) 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 13

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, Lithuania and Australia 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

	2012					
	Finland	Estonia	Lithuania	Latvia	Australia	Total
Loan principal issued	**31,127,211**	**12,697,473**	**30,718,229**	**12,138,774**	**272,443**	**86,954,130**
Net customer receivables	**10,550,976**	**6,059,421**	**11,778,792**	**4,684,569**	**236,531**	**33,310,289**
Revenue	**8,353,680**	**5,508,372**	**9,035,178**	**4,349,117**	**27,305**	**27,273,652**
Impairment	**(2,057,226)**	**(989,741)**	**(945,166)**	**(1,120,936)**	**(49,742)**	**(5,162,811)**
as a % of revenue	25%	18%	11%	26%	182%	19%
Finance costs	**(1,176,202)**	**(761,650)**	**(1,281,782)**	**(566,687)**	**(3,741)**	**(3,790,062)**
Segment measure of profit	**2,092,559**	**1,821,103**	**3,064,605**	**903,345**	**(630,578)**	**7,251,034**
as a % of revenue	25%	33%	34%	21%	–	27%
Central expenses						**(4,708,819)**
Proforma profit before tax						**2,542,215**
Foreign exchange losses on borrowings						**(904,178)**
Gains / losses arising on derivatives						**9,436**
Refinancing costs						**(80,450)**
Cost of employee share options						**(93,438)**
Profit before tax						**1,473,585**

Notes to the consolidated financial statements (continued)

3 SEGMENTAL INFORMATION (continued)

	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

The only significant assets and liabilities at subsidiary segmental level are net customer loan 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)

	2012	2011
	€	€
Staff costs (see Note 5)	**4,013,150**	2,339,323
Operating leases	**155,209**	108,668
Provisions for impairment related to continuing operations	**5,998,130**	4,355,639
Net credit write-backs	**835,319**	1,454,437
Net foreign exchange losses	**7,456**	2,606
Auditors' remuneration		
- Audit of these financial statements	**47,388**	35,201
- Audit of the Company's subsidiaries	**71,121**	51,111
- Other services	**3,953**	–
- Taxation services - advisory	**500**	995
- Taxation services – compliance	**844**	180
- Other services	**5,297**	1,175
Amortisation of intangible fixed assets (see Note 9)	**85,727**	33,499
Depreciation of property, plant and equipment (see Note 10)	**52,999**	26,593
Gain 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 The provisions for impairment for continuing operations are based on the analysis of expected credit losses The analysis is based on regular review of non-performing loans, collection performance and the maturity structure of loan receivables Administrative expenses include overhead, marketing and other expenses related to the Group's business

5 DIRECTORS AND EMPLOYEES

Staff costs including directors' emoluments

	2012	2011
	€	€
Wages and salaries	**3,182,742**	1,754,744
Social security costs	**778,188**	490,363
Share based compensation	**52,220**	94,216
	4,013,150	2,339,323

Included in the above are Directors' emoluments of €843,585 (2011 €399,826) The highest paid director received emoluments of €318,604 (2011 €168,040) The highest paid director did not exercise any share options in 2012 Reference is made to the directors' emoluments disclosure in the Directors' Report

The average monthly number employed including executive directors

	2012	2011
Senior management	**3**	2
Support staff	**66**	52
	69	54

6 TAXATION

TAX EXPENSE

	2012	2011
	€	€
Current year expense	**776,694**	781,417
Over provιded ιn prιor years	**–**	(254)
Current tax	**776,694**	781,163
Deferred tax expense related to the orιgιnatιon and reversal of temporary dιfferences	**42,508**	(78,740)
Total tax expense	**819,202**	702,423

TAXATION RECONCILIATION

The charge for the year can be reconcιled to the consolιdated statement of comprehensιve ιncome as follows

	2012 Total	2011 Total
	€	€
Tax rate	**24.5%**	26%
Profit before tax	**1,473,585**	3,575,312
Tax on profit before tax at tax rate	**361,028**	929,581
Tax effect of dιfferent rates on dιfferent tax jurιsdιctιons	**(262,858)**	(166,012)
Tax effect of ιncome not taxable	**(45,521)**	(237,939)
Tax effect of tax losses for whιch no deferred tax was recognιsed	**606,829**	96,385
Tax effect of expenses that are not deductιble for determιnιng taxable profits	**504,898**	289,943
Tax effect of expenses decreasιng the profit for tax purposes	**(152,385)**	(48,104)
Tax effect of adjustments ιn respect of prιor years	**–**	(254)
Utιlιsatιon of tax losses carrιed forward	**(235,297)**	(82,437)
Deferred tax assets recognιsed	**42,508**	(78,740)
Tax expense	**819,202**	702,423

No corporatιon tax arιses ιn Estonιa unless a dιstrιbutιon ιs made No dιstrιbutιon has been made ιn the current or prιor year and so no lιabιlιty to corporatιon tax arιses ιn thιs country Taxatιon for other jurιsdιctιons ιs calculated at the rates prevaιlιng ιn the respectιve jurιsdιctιons

The applιcable tax rate ιn Fιnland ιs 24 5% (2011 26%), ιn Latvιa 15% (2011 15%) and ιn Lιthuanιa 15% (2011 15%) Tax losses carrιed forward ιn Latvιa at the end of the perιod were €nιl (2011 €235,297)

Notes to the consolidated financial statements (continued)

6 TAXATION (continued)

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 within certain criteria and subject of certain 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 secure 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"

DEFERRED TAX

	Provisioning		**Other**	**Total**
	Finland	**Lithuania**	**Lithuania**	
	€	**€**	**€**	**€**
Deferred tax assets at 1 January 2012	56,780	25,091	420	82,291
Credited to the statement of comprehensive income	49,357	27,667	1,717	78,741
At 31 December 2012	106,137	52,758	2,137	161,032
Credited to the statement of comprehensive income	**8,521**	**(50,084)**	**1,131**	**(40,432)**
At 31 December 2012	**114,658**	**2,674**	**3,268**	**120,600**

Deferred tax was recognised on bad debt provisions of €41,563 (2011 €77,024), at a rate dependent on the country of origin In Latvia, there were unrecognised temporary differences of €221,107 during the year (2011 €138,757) 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 €nil (2011 €235,297)

In MCB Finance Australia Pty, there were unrecognised temporary differences of €316,662 (2011 €nil) during the year This related to the non-utilisation of losses for tax purposes in 2012 and previous years These were not recognised as the Australian subsidiary is currently a loss-making unit The non-utilised losses for tax purposes are expected to be recognised in the future as the subsidiary returns to profitability

7 EARNINGS PER SHARE

(a) Basic

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

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

	2012	2011
	Number	Number
Weighted average number of Ordinary shares in issue during the period	**17,356,045**	17,189,042
Profit for the period (€)	**636,772**	2,872,889

Notes to the consolidated financial statements (continued)

7 EARNINGS PER SHARE (continued)

(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 undertaken 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

The calculation of diluted earnings per share is based on

	2012	2011
	€	€
Earnings		
- profit attributable to equity holders of the company	**636,772**	2,872,889
	2012	2011
	Number	Number
Weighted average number of ordinary shares in issue	**17,356,045**	17,189,042
Adjustments for dilutive effect of		
- employee share options	**291,014**	136
Weighted average number of ordinary shares for diluted earnings per share	**17,647,059**	17,189,178

The average share price during the year was 65 91p (2011 41 01p) In calculating the weighted average number of ordinary shares for calculation of diluted earnings per share, only those share options which are exercisable and with an exercise price below the average share price will have a dilutive impact Further, all share options granted since July 2011 can only be exercised subject to a trigger price of 150p being reached and sustained for a minimum of twenty business dates (note 13)

283,000 share options with an exercise price of 41 0p and 762,362 share options with an exercise price of 50 0p (note 13) have a dilutive impact on the earnings per share

8 DIVIDENDS PER SHARE

During the year, dividends totalling €772,149 were paid to shareholders (2011 €nil) in respect of a final dividend, declared for the results of the Group for the year ended 31 December 2011

No interim or final dividend has been proposed for the year ended 31 December 2012

Notes to the consolidated financial statements (continued)

9 INTANGIBLE FIXED ASSETS AND GOODWILL

Group	Trademarks and Other Licences €	Software €	Goodwill €	Total €
At 1 January 2011				
Cost	41,532	97,438	737,723	876,693
Accumulated amortisation	(34,084)	(31,442)	-	(65,526)
Net book amount	7,448	65,996	737,723	811,167
Year ended 31 December 2011				
Opening net book amount	7,448	65,996	737,723	811,167
Additions	71,144	23,413	–	94,557
Amortisation	(5,562)	(27,937)	–	(33,499)
Closing net book amount	73,029	61,472	737,723	872,224
At 31 December 2011				
Cost	112,676	120,851	737,723	971,250
Accumulated amortisation	(39,647)	(59,379)	–	(99,026)
Net book amount	73,029	61,472	737,723	872,224

Group	Trademark and Other Licences €	Software €	Software Development €	Licenses €	Goodwill €	Total €
Year ended 31 December 2012						
Opening net book amount	73,029	61,472	–	–	737,723	872,224
Additions	362,014	73,540	614,386	201,534	372,117	1,623,591
Amortisation	(22,866)	(43,167)	–	(19,694)	–	(85,727)
Closing net book amount	**412,177**	**91,845**	**614,386**	**181,840**	**1,109,840**	**2,410,088**
At 31 December 2012						
Cost	**474,690**	**194,392**	**614,386**	**201,534**	**1,109,840**	**2,594,841**
Accumulated amortisation	**(62,513)**	**(102,546)**	–	**(19,694)**	–	**(184,753)**
Net book amount	**412,177**	**91,845**	**614,386**	**181,840**	**1,109,840**	**2,410,088**

Notes to the consolidated financial statements (continued)

9 INTANGIBLE FIXED ASSETS AND GOODWILL (continued)

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 €85,727 (2011 €33,499) is included in direct operating expenses and administrative expenses, respectively, in the statement of comprehensive income as follows

	2012	2011
Included within	**€**	€
- direct operating expenses	**74,071**	25,005
- administrative expenses	**11,656**	8,494
Total amortisation charge	**85,727**	33,499

Goodwill relates to the Group's acquisition of MCB Finance AS and its subsidiary undertakings in 2006 and the Group's acquisition of MCB Finance Australia Pty in March 2012 The directors review goodwill for evidence of impairment on an annual basis For the purposes of goodwill impairment testing, the values included within the statement of financial position of MCB Finance AS are 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 estimated growth rates Based on this analysis, the values reported in the statement of financial position of MCB Finance AS are 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

	2012	2011
	€	€
MCB Finance Estonia Ou	**368,862**	368,862
MCB Finance Finland Oy	**368,861**	368,861
MCB Finance Australia Pty	**372,117**	-
	1,109,840	737,723

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

	2012 Estimates			2011 Estimates	
	Finland	**Estonia**	**Australia**	Finland	Estonia
	%	**%**	**%**	%	%
Growth rate (<1 year)	**5.0**	**5.0**	**5.0**	5 0	5 0
Growth rate (2 – 5 years)	**5.0**	**5.0**	**5.0**	5 0	5 0
Long-term growth rate (>5 years)	**3.0**	**3.0**	**3.0**	3 0	3 0
Gross margin (<5 years)	**70.9**	**74 9**	**74.8**	68 8	73 9
Discount rate (<5 years)	**18.7**	**19.0**	**18 3**	25 1	25 1

Notes to the consolidated financial statements (continued)

9 INTANGIBLE FIXED ASSETS AND GOODWILL (continued)

For the purposes of testing goodwill impairment, management used budgeted gross margins based on past performance and its expectation of future gross margins for the forecast period The growth rates used for future periods are based on management's expectations of future growth The discount rates used reflect an estimate of the company's weighted average cost of capital

10 PROPERTY, PLANT AND EQUIPMENT

Group	Office Equipment €
At 1 January 2011	
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
Year ended 31 December 2012	
Opening net book amount	52,596
Additions	99,908
Depreciation charge	(52,999)
Closing net book amount	99,505
At 31 December 2012	
Cost	302,108
Accumulated depreciation	(202,603)
Net book amount	**99,505**

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

Notes to the consolidated financial statements (continued)

11 INVESTMENTS IN SUBSIDIARIES

Company

	€
At 1 January 2011	9,794,746
Additions	1
At 31 December 2011	9,794,747
At 1 January 2012	9,794,747
At 31 December 2012	**9,794,747**

(A) INVESTMENTS DURING THE YEAR

There were no further additions to investments during the year

(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 consumer financial products and services

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

The reporting date of the subsidiary undertakings is 31 December 2012 with the exception of MCB Finance Australia Pty who report to an accounting reference date of 30 June

In addition, MCB Finance AS owns 100% of the issued share capital of the following companies

- MCB Treasury AB, a company incorporated in Sweden
- Sving Finance UAB, a company incorporated in Lithuania

MCB Treasury AB is an internal financing company, handling activities related to the Group's bond financing arrangements There were now operations in Sving Finance UAB during 2012 The Group's online sales financing business, which was launched in December 2012, is currently conducted through MCB Finance UAB

12 TRADE AND OTHER RECEIVABLES

Current receivables

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Customer loan receivables	**37,855,954**	25,597,256	–	–
Less provision for impairment of trade receivables	**(8,029,402)**	(4,853,942)	–	–
Customer loan receivables – net	**29,826,552**	20,743,314		–
Amounts due from group undertakings	–	–	–	311,369
Other receivables	**536,620**	400,786	**5,304**	11,116
	30,363,172	21,144,100	**5,304**	322,485

Notes to the consolidated financial statements (continued)

12 TRADE AND OTHER RECEIVABLES (continued)

Non-current receivables

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Customer loan receivables	**3,660,161**	1,724,259	–	–
Less provision for impairment of trade receivables	**(176,425)**	(107,648)	–	–
Customer loan receivables – net	**3,483,736**	1,616,611	–	–

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 2012

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	
	2012	2011	**2012**	2011
	€	€	**€**	€
At 1 January	**4,961,590**	4,288,261	–	–
Charge for the year	**5,998,130**	4,355,639	–	–
Amounts written off during the year	**(2,753,894)**	(3,682,310)	–	–
At 31 December	**8,205,826**	4,961,590	–	–

The provisions charged to the statement of comprehensive income during the period were €5,998,130 (2011 €4,355,639) During the year, there were impairment provision reversals of €835,319(2011 €1,454,437)

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

Bad debt provisions are evaluated on a monthly basis The evaluation is based on an analysis of the receivables in the balance sheet and estimated credit losses, which determines any increase in bad debt provision or reversal of impairments Net Receivables are also audited by country on a quarterly basis under the Terms and Conditions of the Company's bond facility agreement

Past due but not impaired

As of 31 December 2012, all trade receivables past due have been impaired in accordance with the Group's policies

Notes to the consolidated financial statements (continued)

13 CALLED UP SHARE CAPITAL

	2012		2011	
	Number of 10p shares	**€**	Number of 10p shares	€
Authorised				
Ordinary shares of 10p each	**30,000,000**	**3,678,900**	30,000,000	3,678,900
Issued and fully paid				
Ordinary shares of 10p each	**17,670,007**	**2,558,960**	16,694,247	2,440,143

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

(A) SHARE ISSUES DURING THE YEAR

During the year, a total of 975,760 (2011 nil) ordinary shares were issued following the exercise of share options issued, as follows

On 30 March 2012, a Director exercised options over 241,000 ordinary shares of 10p each in the Company, with an exercise price of 41p per share

On 2 May 2012, Rietumu Bank exercised its option to purchase 724,760 ordinary shares of 10p each in the Company with an exercise price of 45p per share The option had been granted to Rietumu Bank in March 2010 in connection with the renewal of the Company's credit facility in place with the bank at the time

On 30 November 2012, an employee of the Company exercised their options of 10,000 ordinary shares of 10p each in the Company with an exercise price of 50p per share

The new Ordinary shares rank *pari passu* with existing Ordinary shares

(B) SHARE CANCELLATION AND CAPITAL REDUCTION

In the prior 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, during 2011, 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 were 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)

13 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	Exercised	Cancelled/ lapsed options	**Options outstanding as at 31 December 2012**	Exercise price	Share price at time of grant/ modification
Directors							
05 February 2007	482,000	–	(241,000)	–	**241,000**	41p	150p
05 February 2007	302,000	–	–	–	**302,000**	50p	45p
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	128,000	–	–	(73,000)	**55,000**	50p	45p
05 February 2007	76,000	–	–	(34,000)	**42,000**	41p	150p
5 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	–	–	(40,000)	**25,000**	50p	51 5p
28 July 2011	100,000	–	–	(40,000)	**60,000**	54p	55p
28 July 2011	100,000	–	–	(40,000)	**60,000**	76p	55p
24 April 2012	–	20,000	–	–	**20,000**	50p	67 5p
26 April 2012	–	250,000	–	–	**250,000**	50p	68 5p
16 May 2012	–	176,600	–	–	**176,600**	100p	63p
01 June 2012	–	176,600	–	–	**176,600**	100p	55p
	2,108,362	623,200	(251,000)	(247,000)	**2,233,562**		

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 31 December 2012, 623,200 options were issued over the ordinary shares of the Company (2011 955,000) 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 (2011 65p)

All share options granted since 13th June 2011 are exercisable only if a trigger price of 150p is reached, defined as the average closing price of the Company's ordinary shares for a minimum period of twenty business days

During the year 247,000 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 63 9p Those share options that have lapsed do not represent a gain to the Company

During the year, 251,000 share options were exercised At 31 December 2012, the Company had 2,223,562 (2011 2,108,362) options outstanding with a total of 750,362 (2011 1,128,362) exercisable at the year end The options outstanding at 31 December 2012 had a range of exercise prices of 41p to 100p (2011 41p to 176 5p) and a weighted average remaining contractual life of 2 7 years (2011 2 5 years)

Notes to the consolidated financial statements (continued)

13 CALLED UP SHARE CAPITAL (continued)

Fair value of options

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

	2012	2011
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

	2012	2011
Fair value of options granted	**4.5p – 63.4p**	4 5p – 63 4p
Number of options outstanding as at 31 December	**2,233,562**	2,108,362
Weighted average exercise price of the options outstanding at the year end	**64.0p**	55p
Weighted average fair value of the options granted during the year	**47.3p**	65 0p

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 €93,441 (2011 €94,216)

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Trade payables	**754,554**	416,952	**–**	–
Other taxation and social security	**492,287**	194,098	**–**	–
Other payables	**197,554**	214,433	**–**	–
Amounts owed from group companies	**–**	–	**158,544**	–
Accruals	**455,865**	282,572	**87,988**	75,821
	1,900,260	1,108,055	**246,532**	75,821

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)

15 BORROWINGS

Short Term Borrowings	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Bank loans and overdrafts	-	13,700,000	–	–

Long Term Borrowings	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Long term debt	**28,915,285**	–	–	–

On 8 March 2012, the Group completed a SEK 200 million (€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 Group can raise up to SEK 500 million

On 2 July 2012, the Group completed a second issue of asset-backed bonds totalling SEK 60 million (€6 8m) under the bond facility put in place in March 2012 through which the Group can raise a total of SEK500m The issue follows the completion on 8 March 2012 of the Group's inaugural bond issue of SEK200m (€22 4m), the proceeds of which were used to refinance the Group's €17 million credit facility with Rietumu Bank and to fund the continued growth of the Group's consumer loan portfolio

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

16 OPERATING LEASE COMMITMENTS

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

	2012	2011
	€	€
Rental payments within 1 year	**129,041**	92,869
Rental payments over 1 and within 5 years	**68,929**	106,171
	197,970	199,040

Included above are rental payments related to car leases within one year of €27,663 (2011 €8,263), and rental payments related to car leases over 1 and within 5 years of €59,998 (2011 €32,371)

Under the terms of the rental agreement in Lithuania, the office lease expires on 30 April 2014 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)

17 NOTES TO THE CASH FLOW STATEMENT

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

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Operating profit	**6,158,390**	4,775,781	**(334,473)**	(370,707)
Finance costs - net	**(3,790,063)**	(1,200,469)	–	–
Financing – foreign exchange losses on borrowings	**(894,742)**	–	–	–
Depreciation	**52,999**	26,593	–	–
Amortisation	**85,727**	33,499	–	–
Employees share options	**93,438**	94,216	**93,438**	94,216
Translation on foreign currencies	**(1,454)**	–	**(1,454)**	–
(Increase)/decrease in derivatives	**(918,344)**	–	–	–
(Increase)/decrease in receivables	**(11,045,764)**	(10,594,579)	**317,181**	386,911
Increase /(decrease) in payables	**874,538**	(418,027)	**170,712**	(28,008)
Cash flow (used in)/generated from operating activities	**(9,385,275)**	(7,282,986)	**245,404**	82,412

CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	
Cash at bank and in hand	**5,655,941**	2,170,410	**17**	1,540

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

18 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 €293,129 (2011 €285,559) by MC Global Limited, and the Group paid MC Global Limited €269,239 (2011 €304,107) The license fee is payable under the terms of a 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 made a second and final payment of €54,598 to MC Global Limited to acquire outright the *Credit 24* brand rights to operate in the Australian and New Zealand markets The Group also made a payment of €200,000 to MC Global Limited to acquire outright the *Credit 24* brand rights to operate in Sweden, Norway, Denmark and Iceland

Notes to the consolidated financial statements (continued)

18 RELATED PARTIES (continued)

The above resulted in a net amount owed by MC Global Limited of €0 (2011 €23,890) at the end of the year MC Global Limited is a related party by virtue of its minority shareholding in MCB Finance Group Plc

During the year, the Group paid Kai Karttunen a one-time success fee of €292,545 in relation to his advisory role in the Group's inaugural issue of senior secured bonds totaling SEK 260 million The Group paid a further €33,332 to Kai Karttunen in relation to strategic and financing advisory work during the year In March 2012, the Group paid AUD 1 (Australian Dollars) to Kai Karttunen for the acquisition of 100% of Mobile Credit Australia Pty As announced in May 2012, the Group acquired Mobile Credit Australia Pty, a company with advanced plans for online lending in Australia, to facilitate MCB Finance's entry into that market Kai Karttunen is a related party by virtue of his ownership of MC Global Limited

At 31 December 2012, MCB Finance Group Plc owed its subsidiary, MCB Finance AS, €158,672, including accrued annual interest of €10,544 In 2011, MCB Finance AS owed its parent company, MCB Finance Group Plc, €311,369 This included accrued annual interest of €nil

Further related party transactions are summarised below

Transactions	**2012**	2011
	€	€
Gross marketing services received [1)]	-	102,920
IT and Consultancy services received [2)]	**18,280**	59,448
Gross marketing services paid [1)]	-	118,066
IT and Consultancy services paid [2)]	**18,280**	58,287

Balances	**2012**	2011
	€	€
Payables for Gross marketing services [1)]	-	-
Payables for IT and Consultancy services[2)]	**624**	1,927

1) Related parties include Clickit Baltic Oü
2) Related parties include Mlaboratory Oü, PCT Arvutid AS and Katana Invest Oü

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

The Company does not have related party transactions other than with the group companies

Transactions with key management personnel	**2012**	2011
	€	€
Loan repaid by Members of Management	-	(6,300)
Interest from loans given to Members of Management	-	331
Interest amounts repaid	-	(3,218)

Balances with key management personnel	**2012**	2011
	€	€
Receivable from Members of Management	-	-

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

Notes to the consolidated financial statements (continued)

19 ACQUISITION OF SUBSIDIARY

On 31March 2012, the Group acquired 100 per cent of the issued share capital of Mobile Credit Australia Pty The acquired company had advanced plans for online lending in Australia and the acquisition was completed to facilitate MCB Finance's entry into that market

The acquisition was for AUD 1 plus the assumption of outstanding liabilities, resulting in a €372,117 addition to goodwill The goodwill arising from the acquisition reflects the value of the operations acquired None of the goodwill is expected to be deductable for income tax purposes The contractual value of the assets at the acquisition date was €2,060 and the amount of liabilities was €374,177

MCB Finance Australia Pty contributed €27,169 to revenue and €868,391 of expenses to the Group's result for the period between the date of acquisition and the balance sheet date

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below

	€
Financial assets	61
Property, plant and equipments	1,999
Indentifiable intangible asstes	-
Financial liabilities	(374,177)
Contingency liability	-
Total identifiable net liabilities	(372,116)
Goodwill	372,117
Total consideration	1
Satisfied by	
Cash	1
Equity instruments	-
Contingent consideration transferred	-
Total consideration transferred	1
Net cash inflow arising on acquisition	
Cash consideration	1
Less cash and cash equivalent balances acquired	(10)
Net cash inflow on acquisition	(9)

20 DERIVATIVE FINANCIAL INSTRUMENTS

In 2012, the Group completed two asset-backed bond issues to investors in the Nordic region The issue were made under a bond facility through which the Group is able to raise up to SEK 500 million

The bonds issued totalling SEK 260 million (€29 2 million) rank as senior obligations of the Group, are secured against the Company's outstanding customer loan receivables, have a maturity of three years and carry a fixed coupon of 13% per annum, paid quarterly in arrears The bonds are affiliated to Euroclear and are listed on the Corporate Bond List of NASDAQ OMX

The Group's SEK exposure is hedged using Euro/SEK currency options, which limit the Group's exposure to a 5% weakening in the value of the Euro over the three year maturity of the bond The hedge relates to the full amount of principal and interest payable under the terms of the bonds

Notes to the consolidated financial statements (continued)

20 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The carrying amount at end of the year represents accumulated changes in the fair value of the currency options The fair value of the derivative instrument upon initial recognition was €908,908, which was equal to the cash consideration The change in the fair value, which was been recognised in profit or loss during the period, totalled €9,346 The fair value at the reporting date, which has been recognised within current assets, was €918,344

The fair value of the derivatives is established using observable market data and, as such, are classified as level 1 within the fair value hierarchy

21 FINANCIAL INSTRUMENTS

Liquidity risk

The Company and 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 The Group's non-current financial liabilities have a maturity of three years expiring in March 2015 There are no contractual repayments due prior to the maturity dates in March 2015 (see Note 15)

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 2012 had been 3% higher or lower, and all other variables were held constant, then the Group's profit for the year ended 31 December 2012 would have decreased or increased by €246,175 (2011 €148,848) The maximum exposures to credit risk are the amounts disclosed in Note 12 and 17 The Group's trade receivables are all unsecured and are measured at amortised cost

The Company does not provide financial services and is thus not exposed to credit risk through financial services

The Company and 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 operates within countries which use its functional currency or whose currency is currently pegged to that currency, but also whose currency is not pegged to the Group's functional currency Foreign exchange risk is managed by ensuring any non-Euro cash receipts or payments are converted to Euros promptly

Notes to the consolidated financial statements (continued)

21 FINANCIAL INSTRUMENTS (continued)

The Group's SEK exposure on its outstanding SEK-denominated bonds is hedged using Euro/SEK currency options, which limit the Group's exposure to a 5% weakening in the value of the Euro over the three year maturity of the bond At the reporting date, the bond liabilities denominated in SEK amounted to €28 9 million

In addition to the bond liability, the countries whose currency is not pegged to the Group's functional currency have short-term financial assets exposed to currency risk totalling €0 60 million and financial liabilities totalling €1 8 million

Interest rate risk

Investments subject to variable rates expose the Group to cash flow interest rate risk, which is the risk that future cash flows will fluctuate because of changes in market interest rates Borrowings subject to fixed rates expose the Group to fair value interest rate risk, as the fair value of the financial instrument fluctuates because of changes in market interest rates

The Company and the Group is exposed to interest rate risk from its cash deposits which, because of their short maturities, earn interest on what is effectively a floating rate basis

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 2012 would have increased or decreased by €19,600 (2011 €2,000) due to the Group's exposure to variable interest rates on its cash deposits

The Group pays interest on the bonds issued during 2012 The Group is not exposed to interest rate movements on its borrowings since they are held at a fixed rate The borrowings are reported as amortized costs and, as such, the carrying value of the borrowings is not exposed to fair value interest rate risk

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 mix 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 15, offset by cash and bank balances as detailed in Note 17) and equity of the Group (comprising issued capital, reserves, and retained earnings as detailed in the consolidated statement of changes in equity)

In 2012, the debt outstanding of the Group consisted of SEK 260 million (Euro 29 2 million) asset-backed bonds issue to investors in the Nordic region during 2012 Proceeds from the issue have been used to fund the continued growth of the Group's consumer loan portfolio and to refinance the Company's outstanding facility with Rietumu Bank

As part of its continued growth and development strategy, the Company is expected to have on-going financing needs, which it envisages meeting through a combination of future debt, equity and subordinated capital issuance

The Group is not subject to any externally imposed capital requirements

In order to maintain or adjust its 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)

22 POST BALANCE SHEET EVENTS

To ensure flexibility regarding its future funding and capital needs, the Company secured bondholder approval in January 2013 for a change to the current definition of its Equity Ratio covenant to allow the issuance of a range of subordinated capital instruments, in addition to common equity The Company also secured approval from its bondholders for a change in the terms and conditions of its bond agreement relating to the currency denomination of future bond issues, which will allow the issuance of Euro-denominated, in addition to Swedish Krona denominated, bonds The issuance of bonds denominated in Euros would have the effect of reducing the Company's foreign exchange risk and reduce the associated hedging costs relating to non-Euro denominated issues

In March 2013, the Group raised SEK 45 million (equivalent to approximately EUR 5 4 million) through a SEK denominated unsecured subordinated note issue to investors in the Nordic region The issue constitutes a first closing under a multicurrency facility through which the Group can raise up to SEK 100 million (equivalent to approximately EUR 12 million)

The subordinated note facility provides additional flexibility for the Company with respect to its funding and capital needs The Company will use the proceeds to provide additional funding for the continued growth of the Group's consumer loan portfolio in both current and new markets

The notes rank as subordinated obligations of the Company and are unsecured The notes were issued at par, have a maturity of two years and carry a fixed coupon of 18% per annum, paid quarterly in arrears The Company has a right to extend the maturity by one year against a coupon step-up of 2% per annum The notes will be affiliated to Euroclear Sweden and the Company has undertaken to use its best efforts to ensure that the notes are listed on the regulated market of NASDAQ OMX Stockholm prior to 19 June 2013

The Company's Nominated Adviser and Broker, Merchant Securities Limited, changed its name to Sanlam Securities UK Limited in March 2013

There have been some changes in the ownership of MCB Finance Plc shares since the reporting date The significant shareholdings as of 8th February 2013 were as follows

Notifier	2013 February No of shares	2013 February Percentage of issued ordinary shares
Mobile Credit Finland Oy	3,982,096	22 55%
IIU Nominees Limited	2,581,281	14 62%
Orient Equity Partners	2,129,504	12 06%
Boxtel Oy	1,805,974	10 23%
Henry Nilert	1,228,222	6 95%
P Lorange	844 021	4 78%
P Duleyne	803 961	4 55%
Europanel AB	740 000	4 19%
Conils Ltd	681 577	3 86%
Hansa Eastern European Equity Fund	533 333	3 02%

SHAREHOLDER INFORMATION

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