MCB Finance Group Plc

Annual Report and Accounts

For the year ended 31 December 2013

Company No. 06032184

Contents

THE STRATEGIC REPORT

The Dırectors present theır strategıc report on the group for the year ended 31 December 2013

Fınal results for the year ended 31 December 2013

MCB Fınance Group Plc (AIM MCRB L) ("MCB", the "Group" or the "Company"), whıch provıdes consumer fınance solutıons to retaıl customers ın Fınland, Estonıa, Latvıa, Lıthuanıa and Australıa, today announces ıts audıted results for the twelve month perıod endıng 31 December 2013

Operatıonal & Fınancıal Hıghlıghts

- Consolıdated Loan Prıncıpal Issued grew by 12 4% to €97 8m ın FY 2013 (FY 2012 €86 7m),
- Fees and ınterest due from loans ıssued by the Group were €36 0m ın FY 2013, up 16 4% from the prıor year (FY 2012 €31 8m),
- Consolıdated Revenue growth of 21 0% to €33 0m for FY 2013 (FY 2012 €27 3m),
- Consolıdated Impaırment Costs of 25 2% of Revenue for FY 2013 (FY 2012 18 9%) Consolıdated Impaırment Costs of 18 8% of Revenue for Q4 2013 (Q3 2013 26 4%, Q2 2013 29 3%), reflectıng ımproved credıt and collectıon performance ın H2 2013,
- Operatıng profıt from the Establıshed Markets Busıness of €8 8m for FY 2013, up 12 0% on the prıor year perıod (FY 2012 €7 8m),
- Pro Forma Profıt Before Tax from the Establıshed Markets Busıness of €2 6m for FY 2013 (FY 2012 €4 0m), down 35 6% on the prıor year, after deductıng fınancıng costs of €6 2m (FY 2012 €3 8m),
- Group Pro Forma Loss After Tax for FY 2013 of €1 6m (FY 2012 Profıt of €1 7m), after €3 5m operatıng losses from new busınesses and before unrealısed foreıgn exchange gaıns on borrowıngs, translatıon dıfferences and other non-cash ıtems,
- Q4 2013 Group Pro Forma Profıt After Tax of €0 3m (Q3 2013 Loss of €0 9m), reflectıng quarterly loan ıssuance and the benefıts of the prevıously announced programme of cost and revenue ınıtıatıves, whıch had a posıtıve ımpact on operatıng margıns ın the fourth quarter

THE STRATEGIC REPORT (continued)

Review of the business

MCB Finance Group is a leading consumer finance Group providing fast, convenient and flexible credit solutions under the *Credit24* brand to retail customers in Finland, Estonia, Latvia and Lithuania (together the "Established Markets"), as well as in Australia In the Established Markets, the Group is a leading provider of unsecured credit, providing loans up to €3,000 to qualifying customers with maturities of up to two years Loan products are designed to suit customers' needs, with simple and transparent terms and flexible repayment schedules The Group operates in a segment of the market that is typically under-served by larger financial institutions, and is focused on servicing high quality customers with strong credit histories Loans are currently offered on-line through the Group's *Credit24* branded websites in each market, as well as through certain distribution partners In addition, the Group offers online sales financing solutions to retail customers and internet retailers under the *Sving* brand

OPERATIONAL REVIEW

The Group's Established Markets Business (consumer lending under the *Credit24* brand in Finland, Estonia, Latvia and Lithuania) showed continued underlying momentum in FY 2013, but with some distinct regional variations As measured by loan principal issued, strong year-on-year growth was recorded in Lithuania, more moderate growth was experienced in Estonia and Latvia, while Finland loan volumes were broadly flat, reflecting the Group's launch of new credit line products in response to consumer demand and the regulatory changes which came into effect in June 2013 Primarily as a result of the Finnish business transition (see below), Loan Principal Issued to customers in the Established Markets Business only increased by 6 5% to €92 3m in FY 2013 (FY 2012 €86 7m)

Established Markets Business Revenue grew by 19 6% to €32 6m in FY 2013 (FY 2012 €27 2m), with strong year-on-year revenue growth recorded in all countries except for Finland Estonia, Latvia and Lithuania Revenue grew 23 6%, 25 7% and 44 1% respectively in FY 2013 against FY 2012

<u>Finnish Business Transition</u>

The credit line product launched in Finland on 1 June 2013 continued to experience strong customer demand in Q4 2013, with new contract issuance volume continuing to run ahead of expectations As anticipated prior to launch, during the transition to credit line products from the historical instalment loan product offering (which the Group ceased issuing in June 2013), Loan Principal Issued and Revenue generated in the Finnish business declined from pre-June 2013 levels For FY 2013, Finnish Revenue was €7 3m, a decrease of 12 6% over the prior year period (FY 2012 €8 4m) In Q4 2013, Finnish Revenue was €1 5m, 6 1% below Q3 2013 Revenues of €1 6m, but with a quarterly rate of decrease much lower than experienced in Q3 2013 as strong momentum in new credit line contract issuance drove revenue growth at a rate soon expected to outweigh the impact of declining revenues from pre-June instalment loan issuance As a result, Revenue and profits growth for the Finnish business is expected to accelerate in line with the growth of issued credit lines, as customers make additional draws on new and existing lines, and as credit settings are optimised and principal issued increases following the initial months' experience in issuing the new credit line products

The successful launch of the Group's credit line products in Finland points to the potential for the business to secure strong incremental volume growth and resulting market share gains in the Finnish market In addition, the platform and product development undertaken in connection with the re-positioning of the Group's Finnish business offers the opportunity to roll out an attractive range of credit line products in other markets during FY 2014

THE STRATEGIC REPORT (continued)

OPERATIONAL REVIEW (contınued)

Economıc Envıronment

The economıc envıronment and outlook for the Group's Establıshed Markets Busıness remaıned generally stable ın FY 2013 Based on current Eurostat estımates, expected year-on-year GDP growth rates for 2014 range between 0 2% (Fınland) and 4 2% (Latvıa), wıth all the Baltıc markets expected to experıence GDP growth rates ın 2014 ahead of the EU average Unemployment ın 2014 ıs expected to be flat to declınıng ın Estonıa, Latvıa and Lıthuanıa and Fınland

GDP Growth Rates (% p a)

	2012	2013F	2014F	2015F
Fınland	-1 0%	-1 5%	0 2%	1 3%
Estonıa	3 9%	0 7%	2 3%	3 6%
Latvıa	5 2%	4 0%	4 2%	4 3%
Lıthuanıa	3 7%	3 2%	3 5%	3 9%
EU average	-0 4%	0 1%	1 5%	2 0%
Australıa	3 1%	2 5%	2 8%	3 5%

Source Eurostat 25/02/2014, Reserve Bank of Australıa (mıd-poınt range)

Regulatory Envıronment

On 1 June 2013, new regulatory measures, approved ın March 2013 by the Fınnısh parlıament, came ınto effect, ıncludıng a 51% annual percentage rate cap on consumer loans of €2,000 or less, and fee lımıtatıons and enhanced customer dılıgence requırements for consumer lenders The new regulatory measures were a key factor ın the Group ınstıgatıng a materıal re-posıtıonıng of ıts product offerıng ın Fınland earlıer thıs year

The Estonıan, Latvıan and Lıthuanıan governments are currently consıderıng changes to the regulatory envıronment, whıch wıll lıkely come ınto force durıng 2014, ıncludıng certaın annual percentage rate and fee lımıtatıons, as well as enhanced customer dılıgence and operatıonal requırements for consumer lenders The Group remaıns confıdent of ıts abılıty to comply fully wıth, as well as operate successfully under, the new regulatıons

The Group maıntaıns an actıve role ın these and other regulatory processes, and remaıns confıdent of ıts abılıty to comply fully wıth ıts oblıgatıons ın thıs regard

Establıshed Markets Busıness

Lendıng Volumes

Loan Prıncıpal Issued ın the Establıshed Markets Busıness ın 2013 was €92 3m, up 6 5% on 2012

THE STRATEGIC REPORT (continued)

OPERATIONAL REVIEW (continued)

Established Markets Loan Principal Issued

(€000s)	2013	2012	H2 2013	H1 2013	H2 2012	H1 2012	2012-2013 % Change
Finland	31,113	31,127	13,956	17,158	15,611	15,516	0 0%
Estonia	13,751	12,697	6,988	6,763	6,437	6,260	8 3%
Latvia	12,910	12,139	6,183	6,727	6,341	5,798	6 4%
Lithuania	34,513	30,718	17,292	17,221	15,706	15,012	12 4%
Established Markets	**92,287**	**86,681**	**44,419**	**47,869**	**44,095**	**42,586**	**6 5%**

Fees & Revenue

Fees and interest due from loans issued in FY 2013 in the Established Markets Business were €36 0m, up 13 2% from the prior year period (FY 2012 €31 8m), with the average maturity of loans granted during FY 2013 being 8 8 months (FY 2012 6 8 months) The increase in loan maturities during 2014 is expected to support continued revenue growth, as income is recognised over the maturity of the issued loans

Total Revenue for the Established Markets Business for FY 2013 increased by 19 6% to €32 6m (FY 2012 €27 2m), with all countries except Finland delivering strong double digit year-on-year revenue growth Lithuania recorded annual revenue growth for FY 2013 of 44 1%, with Estonia and Latvia recording annual growth rates for Revenue of 23 6% and 25 7% respectively Total Revenue for Q4 2013 was €8 1m, broadly flat on the previous quarter (Q3 2013 €8 1m), reflecting the continued transition of the Finnish business and increased competitive pressures in certain Baltic markets in the period

Established Markets Business Revenue

(€000s)	2013	2012	H2 2013	H1 2013	H2 2012	H1 2012	2012-2013 % Change
Finland	7,298	8,354	3,009	4,289	4,063	4,291	-12 6%
Estonia	6,806	5,508	3,464	3,342	3,024	2,485	23 6%
Latvia	5,466	4,349	2,732	2,734	2,597	1,752	25 7%
Lithuania	13,023	9,035	7,029	5,994	4,819	4,215	44 1%
Established Markets	**32,593**	**27,246**	**16,234**	**16,359**	**14,503**	**12,743**	**19 6%**

Credit Quality

Overall credit quality remained strong during 2013 resulting in expected loss rates for loan pools granted during the period of 5 2% for the Established Markets Business, below the low end of the Group's 6%-7% target range Established Markets Business Impairment Costs for 2013 were 24 1% of Revenues (FY 2012 18 9%)

The 11 8 percentage point improvement in Established Markets Business Impairment Costs as a percentage of Revenues in Q4 2013 compared to Q2 2013 (Q2 2013 29 0% of Revenue) was supported by selected tightening of credit settings in Latvia and Finland at the end of Q2 2013, as well as by improving collection recovery performance in Latvia following changes made to collection partner arrangements in that country

THE STRATEGIC REPORT (continued)

OPERATIONAL REVIEW (continued)

Australia

Between the July 2012 pilot launch and the end of Q4 2013, the Company issued approximately 3,000 loans in Australia and Loan Principal equivalent to approximately €2 9m Reflecting the change in strategy for Australia made in July 2013, only a limited, restricted number of loans was made in Q3 and Q4 2013, reflecting the managed reduction in Australian growth pending additional group funding

From the end of July 2013, the Australian business, which was launched in July 2012, has been run with a greater focus on near-term profitability, rather than building national market awareness at this stage of its development The resulting reduction in operating costs in the business resulted in a significant reduction in the operating losses previously being incurred to grow the business nationally Operating costs have been reduced by approximately 65% from July 2013 levels, significantly reducing operating losses incurred in the Australian business Any acceleration in Australian lending volumes would be subject to a stronger track record of profitability and a strengthened Group capital structure

Sving / Online Sales Finance

The Group's proprietary online sales financing platform and business, which was launched in December 2012, offers a payment and credit line product to customers purchasing goods online from internet retailers The service is marketed and operated under the *Sving* brand

In the period since the launch of *Sving* to date, the business has signed contracts with the majority of the leading online retailers in Lithuania, and has already established a leading presence for online sales financing in the market *Sving* currently has over 6,900 registered customers who have made one or more online purchases using the service Customer acquisition has been growing steadily and user receptivity to *Sving*'s flexible and convenient product features continues to be favourable

Management believes that the *Sving* business offers an attractive opportunity for the Group to grow a sizeable and profitable business under a new brand, addressing a new socio-demographic segment of the market, and will seek to roll out the *Sving* business in a number of other Established Markets More information on the Group's Online Sales Finance business can be found at www sving com

THE STRATEGIC REPORT (continued)

FINANCIAL REVIEW

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

Established Markets Businesses

Revenues for FY 2013 were €32 6m, an increase of 19 6% over the prior year period (FY 2013 €27 2m), underpinned by a 6 5% increase in Principal Issued to €92 3m in the year (FY 2012 €86 7m)

Impairment Costs for the Established Markets Business totalled €7 9m for FY 2013, equivalent to 24 1% of Revenue, up from €5 1m or 18 8% of Revenue in FY 2012, but were down significantly to €1 4m or 17 2% of Revenue compared to Q3 and Q2 2013 levels (Q2 2013 €2 5m or 29 0% of Revenue, Q3 2013 €2 1m or 25 5% of Revenue)

Impairment cost levels for the Established Markets Business are within the Company's targeted range, with overall credit quality remaining strong during the period with expected loan loss rates for loans granted during the fourth quarter of 2013 of 5 1%, below the lower end of the Group's 6%-7% target range

The selective tightening of credit settings in Latvia, Australia and Finland earlier in the year, changes made to collection partners in Latvia, as well as selected long-dated non-performing loan sales made in the ordinary course of business in Finland, contributed to the decrease in Impairment Costs in Q4 2013

Direct and Administrative Costs related to the Established Markets Business for FY 2013 were €11 7m, equivalent to 35 9% of Revenue (FY 2012 €10 5m or 38 0% of Revenue), driven principally by higher variable loan costs on increased lending volume

As a result, the Contribution Margin (profit from operations before unallocated central overhead and financial costs) from the Established Market Business for FY 2013 was €13 0m, or 40 0% of Revenue, an increase of 11 6% over the prior year period (FY 2012 €11 7m) For the fourth quarter 2013, the Contribution Margin was €3 7m, up 7 5% year-over-year and 15 0% on the previous quarter (Q4 2012 €3 4m, Q3 2013 €3 2m)

Allocating Central Costs between the Established Markets Business and New Businesses, based on activity and function, showed an Operating Profit for FY 2013 for the Established Markets Business of €8 8m, or 26 9% of Revenue, up 12 0% from the prior year period (FY 2012 €7 8m)

THE STRATEGIC REPORT (contınued)

FINANCIAL REVIEW (contınued)

Establıshed Markets Business Fınancıal Performance

(€000s)	2013	2012	% Change
Prıncıpal Lent	92,287	86,681	6 5%
Net Customer Loan Receıvables	40,306	33,074	21 9%
Revenue	**32,593**	**27,246**	**19 6%**
Impaırment Costs	(7,868)	(5,113)	53 9%
as % Revenue	24 1%	18 8%	
Dırect and admınıstratıve costs	(11,698)	(10,463)	11 8%
as % Revenue	35 9%	38 4%	
Contrıbutıon Margın - Establıshed Markets	**13,027**	**11,670**	**11 6%**
as % Revenue	40 0%	42 8%	
Central Costs related to Establıshed Markets	(4,256)	(3,842)	10 8%
Operatıng Profıt - Establıshed Markets	**8,771**	**7,828**	**12 0%**
as % Revenue	26 9%	28 7%	

New Busıness Costs & Consolıdated Fınancıal Performance

Durıng 2012 and 2013, the Group undertook a serıes of ınvestments wıth a vıew to strengthenıng certaın central functıons and launchıng varıous new busınesses ıdentıfıed by management and the Board as beıng attractıve areas of future growth Costs related to these New Busınesses recognısed ın the Consolıdated Statement of Comprehensıve Income, ıncludıng amortısed platform development costs and operatıng losses relatıng to new busıness launches, totalled €3 5m ın FY 2013 (FY 2012 €1 5m)

As a result, after New Busıness losses, Consolıdated Operatıng Profıt for FY 2013 was €5 3m, a decrease of 15 9% from the prıor year (FY 2012 €6 3m) For the fourth quarter 2013, Consolıdated Operatıng Profıt was €2 1m (Q4 2012 €1 9m), comprısıng €2 7m Operatıng Profıt from the Establıshed Markets Busıness and a €0 6m Operatıng Loss from New Busınesses

Net Fınancıng Costs for FY 2013 were €6 2m, an ıncrease of 62 8% over the prıor year perıod (FY 2012 €3 8m), reflectıng loan book growth and the ıssuance of senıor and subordınated bonds ın 2013

Foreıgn Exchange Gaıns / Losses on Borrowıngs comprıse unrealısed foreıgn exchange gaıns or losses ıncurred ın relatıon to the Group's SEK-denomınated bonds At the end of 2013, foreıgn currency optıons were ın place whıch would lımıt the Group's exposure on ıts senıor and subordınated bonds (ıncludıng unrealısed gaıns accrued to end 2013) to a weıghted average 4 9% weakenıng ın the value of the Euro over the remaınıng maturıty of the senıor and subordınated bonds Durıng FY 2013, Euro/SEK exchange rate movements resulted ın an unrealısed foreıgn exchange gaın on borrowıngs of €1 3m The movement ın the faır value of currency optıons put ın place to mıtıgate the foreıgn exchange rate rısk on the ıssued bonds resulted ın a €0 9m unrealısed loss ın FY 2013

THE STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

New Business Costs & Consolidated Financial Performance (continued)

Foreign Exchange Translation Differences arising from the Group's Australian business resulted in a €1 0m translation loss for FY 2013 (partly offset by a positive foreign currency reserve adjustment of €0 6m for FY 2013 booked in accordance with IFRS accounting rules as Other Comprehensive Income in the Consolidated Statement of Comprehensive Income)

The Group accrued a €0 7m tax provision for FY 2013, relating to its Latvian and Lithuanian operations (FY 2012 €0 8m) No corporation tax was incurred in Estonia in the absence of a distribution being made from the Estonian subsidiary The impact on profit of deferred tax asset changes has been excluded from the calculation of underlying Pro Forma Profit

The Group's Pro Forma Loss Before Tax was €0 9m for FY 2013, compared to a profit of €2 5m in FY 2012 The Group's Pro Forma Loss After Tax for FY 2013 was €1 6m, compared to a profit of €1 7m for FY 2012 The Group's Net Loss After Tax for FY 2013 was €1 3m, compared to profit of €0 7m in FY 2012

New Business Costs & Consolidated Financial Performance

(€000s)	2013	2012	% Change
Operating Profit - Established Markets	**8,771**	**7,828**	**12 0%**
Operating Profit - New Business	(3,462)	(1,513)	128 8%
Consolidated Operating Profit	**5,309**	**6,315**	**-15 9%**
Financing Costs	(6,170)	(3,790)	62 8%
Pro Forma Profit Before Tax	**(861)**	**2,525**	-134%
Income Tax Expense	(721)	(819)	-12 0%
Pro Forma Profit After Tax	**(1,581)**	**1,706**	**-193%**
Foreign Exchange Translation Differences	1,335	(904)	
Gain / losses arising on derivatives	(937)	9	
Translation differences	(986)	-	
Refinancing Costs	0	(80)	
Audit pro forma adjustments	(235)	-	
Cost of Employee Share Options	(92)	(93)	
Pro forma tax adjustments	1,195	-	
Group Net Income	**(1,301)**	**637**	**-304%**

THE STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Statement of Financial Position

As of 31 December 2013, Net Customer Loan Receivables totalled €41 4m (net of loan loss provisions), an increase of 24 4% over the prior year (31 December 2012 €33 3m) As of 31 December 2013, Gross Borrowings totalled €43 4m, comprising €38 3m senior secured bond and €5 1m subordinated bond principal outstanding, net of costs relating to the bond offerings in accordance with IAS 39 (31 December 2012 €28 9m) Net Debt as of 31 December 2013 totalled €34 7m (31 December 2012 €23 3m) Cash as of 31 December 2013 was €8 7m (31 December 2012 €5 7m)

The Group's Equity Ratio as defined for debt covenant purposes was 27 0% as of 31 December 2013, compared to 25 7% as of 31 December 2012 The Group's Net Debt to Net Receivables Ratio was 83 8% as of 31 December 2013, compared to 69 8% as of 31 December 2012

Summary Statement of Financial Position

(€000s)	2013	2012	% Change
Net customer loan receivables	41,446	33,310	24 4%
Cash	8,675	5,656	53 4%
Other Assets	7,629	4,085	86 8%
Total Assets	57,750	43,051	34 1%
Asset-backed Debt	38,307	28,915	32 5%
Subordinated Debt	5,107	-	100%
Gross Borrowings	43,414	28,915	50 1%
Net Debt	34,739	23,259	49 4%
Equity	10,489	11,086	-5 4%
Equity Ratio [1]	27 0%	25 7 %	
Equity / Net Receivables	37 6%	33 3 %	
Net Debt / Total Assets	60 2%	54 0 %	
Net Debt / Net Receivables	83 8%	69 8 %	

(1) Equity plus Subordinated Debt / Total Assets in accordance with the terms of the Group's bond covenants

THE STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Bond Issue & Funding

On 8 March 2012, the Group completed a SEK 200m (€22 4m) 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 500m, with the majority of proceeds from the issue used to refinance the Group's €17m 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 60m (€6 8m) under the bond facility put in place in March 2012

On 15 May 2013, the Group completed a third issue of asset-backed bonds totalling SEK 86m and EUR 0 5m (in total 10 5m EUR) under the bond facility put in place in March 2012

The bonds issued in March 2012, July 2012 May 2013 rank as senior obligations of the Group, are secured against the Group's outstanding customer loan receivables, mature in March 2015 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 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

In March 2013, the Group raised SEK 45m (equivalent to approximately EUR 5 4m) 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 100m (equivalent to approximately EUR 12m)

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 STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

The Group continues to experience underlying customer demand growth in its core markets and expects sustained underlying lending volume and revenue growth in its Established Markets Business in future periods The credit line product and the Sving online financing product have been well received by customers in Finland and Lithuania respectively, and are expect to provide the Group with significant opportunities for growth in existing and new markets as these businesses are rolled out in other Established Markets in 2014

The Group has invested to strengthen various central functions, upgrade its technology platforms, develop a number of new product lines in existing markets, as well as enter additional new markets and businesses - in line with the Group's on-going strategy to expand its range of products and geographical reach The majority of this investment is now complete and, over time, we expect the Group's new products and markets to contribute significantly to the Group's overall growth and profitability

As the Group continues to grow, management expect to realise significant operating leverage from the new platform, product and geographical investments

Management expects the Group's Established Markets Business to continue to be profitable in H1 2014 and for losses related to New Businesses to remain limited going forward

REVIEW OF COUNTRY OPERATIONS

All countries were profitable during the year at the Pro Forma Profit Before Tax level (before subordinated interest and central costs) with the exception of 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 teams, technology systems development and maintenance teams, and certain other key central functions Total costs for the central organisation were €5 3m in 2013, up from €4 7m in 2012, including €1 1m costs relating to platform development and other costs associated with the Group's online sales finance and other new business initiatives

Pro Forma Profit Before Tax

(€000s)	2013	2012	% Change
Finland	363	2,093	-82 7%
Estonia	2,643	1,821	45 1%
Latvia	728	903	-19 4%
Lithuania	3,736	3,064	21 9%
Total Established Markets	**7,470**	**7,881**	**-5 2%**
Total New Businesses	**(2,270)**	**(630)**	**260 3%**
Group Total	**5,200**	**7,251**	**-28.3%**
Subordinated Interest	(725)	-	100%
Central Costs	(5,336)	(4,709)	13 3%
Group Pro Forma Profit Before Tax	**(861)**	**2,542**	**-133 8%**

THE STRATEGIC REPORT (continued)

REVIEW OF COUNTRY OPERATIONS

Finland

Due to the transition to credit line products, Finland, historically the Group's largest market, had broadly stable volumes in 2013 year-over-year, which resulted in Lithuania becoming the largest market for the group by volume in FY 2013 Profit Before Tax in Finland decreased to €0 4m, compared to €2 1m in 2012 Impairment was 31 8% of revenue and Direct and administrative costs increased by 1 1%

(€000s)	2013	2012	% Change
Loan principal issued	31,113	31,127	0 0%
Net customer loan receivables	10,888	10,551	3 2%
Revenue	7,298	8,354	-12 6%
Impairment	(2,323)	(2,057)	12 9%
as % of Revenue	31 8%	24 6%	
Direct and admin costs	(3,061)	(3,028)	1 1%
Finance costs	(1,551)	(1,176)	31 9%
Pro Forma Profit Before Tax	**363**	**2,093**	**-82 7%**
as % of Revenue	5 0%	25 0%	

Estonia

Lending volumes in Estonia increased by 8 3% to €13 8m during 2013 Profit before tax increased by 45 1% to €2 6m, up from €1 8m in 2012 Impairment costs were 18 5% of revenue in 2013, marginally above 2012 levels The increase in Direct and administrative costs primarily reflected higher lending volumes

(€000s)	2013	2012	% Change
Loan principal issued	13,751	12,697	8 3%
Net customer loan receivables	6,994	6,059	15 4%
Revenue	6,806	5,508	23 6%
Impairment	(1,258)	(990)	27 1%
as % of Revenue	18 5%	18 0%	
Direct and admin costs	(2,263)	(1,935)	17 0%
Finance costs	(642)	(762)	-15 7%
Pro Forma Profit Before Tax	**2,643**	**1,821**	**45 1%**
as % of Revenue	38 8%	33 1%	

THE STRATEGIC REPORT (continued)

REVIEW OF COUNTRY OPERATIONS (continued)

Latvia

Latvia issuance volumes increased by 6 4% to €12 9m in 2013 Impairment costs increased to 30 2% of revenue in the year, with the increase seen in H1 addressed through various initiatives relating to underwriting rules and collection agents made at the end of the H1 2013, which resulted in a reduction in Impairment costs as a percentage of Revenue in Q4 2013 to 14 2% (Q4 2012 25 8%) The Pro Forma Profit Before Tax was €0 7m in 2013

(€000s)	2013	2012	% Change
Loan principal issued	12,910	12,139	6 4%
Net customer loan receivables	5,444	4,685	16 2%
Revenue	5,466	4,349	25 7%
Impairment	(1,652)	(1,121)	47 4%
as % of Revenue	30 2%	25 8%	
Direct and admin costs	(2,185)	(1,758)	24 3%
Finance costs	(901)	(567)	58 9%
Pro Forma Profit Before Tax	**728**	**903**	**-19 4%**
as % of Revenue	13 3%	20 8%	

Lithuania

Lithuania recorded strong lending volume growth during 2013, becoming the Group's largest market by volume during 2013 Lending volumes were up 12 4% to €34 5m (FY 2012 €30 7m) year-over-year Profit before tax increased to €3 7m from €3 1m in 2012 Impairment costs were 20 2% of revenue

(€000s)	2013	2012	% Change
Loan principal issued	34,513	30,718	12 4%
Net customer loan receivables	17,173	11,779	45 8%
Revenue	13,047	9,035	44 4%
Impairment	(2,634)	(945)	178 7%
as % of Revenue	20 2%	10 5%	
Direct and admin costs	(4,458)	(3,742)	19 1%
Finance costs	(2,219)	(1,282)	73 1%
Pro Forma Profit Before Tax	**3,736**	**3,066**	**21 9%**
as % of Revenue	28 6%	33 9%	

THE STRATEGIC REPORT (continued)

REVIEW OF COUNTRY OPERATIONS (continued)

Australia

The Group's Australian business was launched in July 2012 in an initial 'pilot' phase to test market receptivity and the Group's credit settings for the market From the end of June 2013, the Australian business has been run with a greater focus on near-term profitability, rather than building national market awareness at this stage of the Group's development The resulting reduction in operating costs and current investment in the business has resulted in a significant reduction in the operating losses previously being incurred to grow business nationally Loan principal issued to the end of December 2013 was €2 6m and the pro forma loss before tax was €2 3m

(€000s)	2013	2012	% Change
Loan principal issued	2 635	272	868 8%
Net customer loan receivables	947	236	301 3%
Revenue	540	27	1900 0%
Impairment	(455)	(50)	810 0%
as % of Revenue	84 3%	181 5%	
Direct and admin costs	(2,222)	(605)	267 3%
Finance costs	(133)	(3)	4333 3%
Pro Forma Profit/(Loss) Before Tax	**(2,270)**	**(631)**	**259.7%**

Principal risks and uncertainties

The principal financial risks and uncertainties relating to the business and to the Group are discussed in Note 21, along with the risk hedging principles and policies Details of the current funding situation have been disclosed under the Going Concern paragraph in Note 1

The regulatory environment with anticipated changes has been disclosed in The Strategic Report under Operational Review

By order of the Board

Henry Nilert
Company Secretary
Waverley House,
7–12 Noel Street,
London W1F 8GQ
30 April 2014

BOARD OF DIRECTORS

Executive Directors

1 Rami Ryhanen
Chief Executive Officer (Age 46)

Mr Ryhanen 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 Ryhanen 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 Ryhanen holds an MBA from the Institute for International Management Centers

2 Paul Aylieff
Chief Financial Officer (Age 49)

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 He 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 42)

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 existing 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 Oy, 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 51)

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, 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 56)

Mr Duleyrie has 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 2013

General information

MCB Finance Group Plc is registered and domiciled in England and Wales The registered address of the Company is Waverley House, 7–12 Noel Street, London W1F 8GQ, United Kingdom The Company is the parent of a group providing flexible credit solutions to retail customers in Finland, Estonia, Latvia, Lithuania and Australia

The Directors consider that the Company does not have an ultimate parent undertaking or controlling party and is itself the ultimate parent of the Group

Business review and future developments

A review of 2013, together with an outlook on future developments, is contained in the Strategic Report on pages 12-15

Results and dividends

The loss attributable to shareholders for the year ended 31 December 2013 was €699,571 (FY 2012 profit of €636,772) as set out in the consolidated statement of comprehensive income on page 24

Dividends totalling €nil were paid to shareholders during the year (FY 2012 €772,149) No dividends are proposed for 2014

Directors

Biographies of the current Directors, all of whom served during the year, are set out on page 16

Donations

No donations or payments to 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 pages 57-59

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				
	2013		2012		
	Number	**%**	Number	%	
Rami Ryhanen	**124,542**	**0 7**	124,542	0 7	(a)
Henry Nilert	**1,228,222**	**6 9**	1,228,222	7 0	(b)
Philippe Duleyne	**803,961**	**4 5**	803,861	4 6	

(a) 45,878 shares held directly (FY 2012 nil), and the remaining shares held through Solotel Oy
(b) 669,603 shares held directly (FY 2012 669,603), and the remaining shares held through Birch Holding Limited

DIRECTORS' REPORT (continued)

Directors' emoluments

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

31 December 2013

	Salary / Fees	Bonus	Benefits	Share incentive plans*		
	€	€	€	Options held at 31 December 2013	Options exercised during 2013	Exercise price
Rami Ryhanen	185,511	30,119	14,954	610,750	-	-
Paul Aylieff	158,404	17,492	16,458	-	-	-
Henry Nilert	158,400	23,490	240	369,750	-	-
Anton Mayr	65,000	-	-	94,063	-	-
Philippe Duleyrie	50,000	-	-	94,063	-	-
	617,315	71,101	31,652	1,168,626	-	-

31 December 2012.

	Salary / Fees	Bonus	Benefits	Share incentive plans*		
	€	€	€	Options held at 31 December 2012	Options exercised during 2012	Exercise price
Rami Ryhanen	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	-

*All share options granted since June 13th 2011 are exercisable only if a trigger price of 150p per share is reached See Note 14

Share options exercised during the year

During the year, no Director exercised any options An employee of the Company exercised options over 20,000 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

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 bonds, the Group uses Euro/SEK currency options At the end of 2013, foreign currency options were in place which would limit the Group's exposure on its senior and subordinated bonds (including unrealised gains accrued to end 2013) to a weighted average 4 9% weakening in the value of the Euro over the remaining maturity of the senior and subordinated bonds 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

DIRECTORS' REPORT (continued)

Significant shareholdings

The significant shareholdings in the Company as at 31 December 2013 were as follows

Notifier	No of shares	Percentage of issued ordinary shares
Smec Ou	5,788,070	32 7%
IIU Nominees Limited	4,650,785	26 3%
H Nilert *	1,228,222	6 9%
P Lorange	844,021	4 8%
P Duleyrie	803,961	4 5%
Europanel AB	740,000	4 2%
Conils Ltd	681,577	3 9%
Hansa Eastern European Equity Fund	533,333	3 0%

* 669,603 shares held directly, and the remaining shares held through Birch Holding Limited

Corporate Social Responsibility

The Corporate Social Responsibility approach adopted throughout the Group 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 the 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

Going Concern

After making relevant enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future (see Note 1 for further details of this) and therefore continue to adopt a going concern basis in preparing the financial statements

Statement of disclosure of information to auditors

Insofar as the Directors are aware

- there is no relevant audit information of which the Group'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 Group

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
30 April 2014

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 22 and 23, 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

By order of the Board

Henry Nilert
Company Secretary
Waverley House,
7–12 Noel Street,
London W1F 8GQ
30 April 2014

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

For the year ended 31 December 2013

We have audited the financial statements of MCB Finance Group Plc for the year ended 31 December 2013, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated and 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 21, 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 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 2013 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 Strategic Report and 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)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern The Company's current intention is to refinance the senior and subordinated debt in advance of their maturity in March 2015

This, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

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 and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

30 April 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	2013 €	2012 €
Revenue	3	**32,992,015**	27,273,652
Impairment		**(8,322,245)**	(5,162,811)
Direct operating expenses		**(6,277,741)**	(4,614,610)
Administrative expenses		**(14,215,556)**	(11,337,841)
Operating profit		**4,176,473**	6,158,390
Interest receivable	6	**3,482**	968
Interest payable	6	**(6,353,190)**	(3,791,031)
Financing foreign exchange gains/(losses) on borrowings		**1,334,947**	(904,178)
(Loss)/Gain arising on derivatives	20	**(937,379)**	9,436
(Loss)/Profit before income tax	4	**(1,775,667)**	1,473,585
Income tax credit/(expense)	7	**474,171**	(819,202)
(LOSS)/PROFIT FOR THE YEAR		**(1,301,496)**	654,383
Other comprehensive income		**601,925**	(17,611)
FX gain on translation		**601,925**	(17,611)
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(699,571)**	636,772

Pro forma profit calculation

	2013 €	2012 €
(Loss)/Profit before tax	**(1,775,667)**	1,473,585
Cost of employee share options	**91,607**	93,438
Financing foreign exchange gains/(losses) on borrowings	**(1,334,947)**	904,178
Translation differences	**985,907**	-
(Loss)/Gain arising on derivatives	**937,379**	(9,436)
Pro forma audit adjustments	**235,000**	-
Refinancing costs	-	80,450
Pro forma (loss)/profit before taxation	**(860,721)**	2,542,215
Taxation excluding pro forma adjustments	**(720,829)**	(819,202)
Pro forma (loss)/profit after taxation	**(1,581,550)**	1,723,013

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

	Note	2013 €	2012 €
Basic earnings per share	8	**(0 0396)**	0 0367
Diluted earnings per share	8	**(0 0396)**	0 0361

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 €391,730 (FY 2012 €334,473)

The accompanying notes on pages 30 to 59 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note		2013		2012
		€	€	€	€
ASSETS					
Non-current assets					
Goodwill & intangible assets	10	3,380,701		2 410,088	
Property, plant and equipment	11	129,538		99 505	
Deferred tax asset	7	1,597,841		120,600	
Trade and other receivables	13	5,008,472		3,483 736	
Total non-current assets			10,116,552		6,113,929
Current assets					
Trade and other receivables	13	38,424,133		30,363,172	
Derivatives	20	534,251		918,344	
Cash and cash equivalents	18	8,675,255		5,655,941	
Total current assets			47,633,639		36,937,457
Total assets			57,750,191		43 051,386
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Issued share capital	14	2,561,330		2,558,960	
Share premium account		5,015,903		5,006,558	
Capital redemption reserve		102,317		102,317	
Foreign exchange reserve		641,206		39,281	
Share option reserve		472,078		511,713	
Retained earnings		1,696,665		2 866,919	
Total equity			10,489,499		11,085,748
Current liabilities					
Trade and other payables	15	2,286,920		1,900,260	
Current income tax liabilities		420,243		306,635	
Deferred revenue		1,139,428		843,459	
Total current liabilities			3,846,591		3,050,354
Non-Current Liabilities					
Long Term Borrowings	16	43,414,101		28,915,284	
			43,414,101		28,915,284
Total equity and liabilities			57,750,191		43,051,386

The financial statements on pages 24 to 59 were approved by the Board of Directors and authorised for issue on 30 April 2014 and were signed on its behalf by

A Mayr
Chairman

P Aylett
Chief Financial Officer

Company No 06032184

The accompanying notes on pages 30 to 59 form an integral part of these consolidated financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	2013 €	2013 €	2012 €	2012 €
ASSETS					
Non-current assets					
Investments in subsidiaries	12	9,794,747		9,794,747	
Total non-current assets			9,794,747		9,794,747
Current assets					
Trade and other receivables	13	4,505,880		5,304	
Derivatives		25,860		-	
Cash and cash equivalents	18	30,913		17	
Total current assets			4,562,653		5,321
Total assets			14,357,400		9,800 068
EQUITY AND LIABILITIES					
Equity					
Issued share capital	14	2,561,330		2,558,960	
Share premium account		5,015,903		5,006,558	
Capital redemption reserve		102,317		102,317	
Foreign exchange reserve		21,670		21,670	
Share option reserve		472,078		511,713	
Retained earnings		1,091,830		1,352,318	
Total equity			9,265,128		9,553,536
Current liabilities					
Trade and other payables	15	92,563		246,532	
Total current liabilities			92,563		246,532
Non-Current Liabilities					
Long Term Borrowings	16	4,999,709		-	
			4,999,709		-
Total equity and liabilities			14,357,400		9,800,068

The financial statements on pages 24 to 59 were approved by the Board of Directors and authorised for issue on 30 April 2014 and were signed on its behalf by

A Mayr
Chairman

P Aylieff
Chief Financial Officer

Company No 06032184

The accompanying notes on pages 30 to 59 form an integral part of these consolidated financial statements

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

		Group		Company	
		2013	2012	**2013**	2012
	Note	**€**	€	**€**	€
Cash flow (used in)/generated from operating activities					
Cash (used in)/generated from operations	18	**(10,269,452)**	(9,385,104)	**(4,980,528)**	245,404
Income tax paid		**(1,161,974)**	(746,167)	**–**	–
Net cash (used in)/generated from operating activities		**(11 431 426)**	(10,131,271)	**(4,980,528)**	245,404
Cash flow from investing activities					
Purchase of property, plant and equipment		**(98,826)**	(99,910)	**–**	–
Purchase of intangible assets		**(1,416,161)**	(1,251,474)	**–**	–
Net cash used in investing activities		**(1,514,987)**	(1,351,384)	**–**	–
Cash flow from financing activities					
Issue of share capital		**11,715**	525,222	**11,715**	525,222
Repayments on borrowings		**–**	(13,700,000)	**–**	–
Proceeds from borrowings		**15,938,378**	28,915,284	**4,999,709**	–
Dividends paid		**–**	(772,149)	**–**	(772,149)
Net cash from/(used in) financing activities		**15,950,093**	14,968,357	**5,011,424**	(246,927)
Effects of exchange rate changes on cash and cash equivalents		**15,634**	(171)	**–**	–
Increase/(decrease) in cash and cash equivalents		**3,019,314**	3,485,531	**30,896**	(1,523)
Cash and cash equivalents at 1 January	18	**5,655,941**	2,170,410	**17**	1,540
Cash and cash equivalents at 31 December	18	**8,675,255**	5,655,941	**30,913**	17

The accompanying notes on pages 30 to 59 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2013

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 2012	2,440,143	4,601,606	102,317	21,670	519,5[illegible]	2,901,0[illegible]	10,586,307
Comprehensive income							
Profit for the financial period	–	–	–	–	–	636,772	636,772
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 at 1 January 2013	**2,558,960**	**5,006,558**	**102,317**	**39,281**	**511,713**	**2,866,919**	**11,085,748**
Comprehensive income							
(Loss)/Profit for the financial period	–	–	–	–	–	(1,301,496)	(1,301,496)
Other comprehensive income	–	–	–	601,925	–	–	601,925
Total comprehensive income	**–**	**–**	**–**	**601,925**	**–**	**(1,301,496)**	**(699,571)**
Arising on the exercise of employee share options	2,370	9,345	–	–	(12,108)	12,108	11,715
Arising on employee shares option lapsed during the period	–	–	–	–	(119,134)	119,134	–
Amount charged to the employee share option reserve	–	–	–	–	91,607	–	91,607
Total	**2,370**	**9,345**	**–**	**–**	**(39,635)**	**131,242**	**103,322**
Balance as at 31 December 2013	**2,561,330**	**5,015,903**	**102,317**	**641,206**	**472,078**	**1,696,665**	**10,489,499**

The accompanying notes on pages 30 to 59 form an integral part of these consolidated financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 31 December 2013

	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 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 reser	–	–	–	–	93,438	–	93,438
Dividends	–	–	–	–	–	(772,149)	(772,149)
Total	118,817	404,952	–	–	(7,857)	(670,854)	(154,942)
Balance at 1 January 2013	2,558,960	5,006,558	102,317	21,670	511,713	1,352,318	9,553,536
Comprehensive income							
Loss for the financial period	–	–	–	–	–	(391,730)	(391,730)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	(391,730)	(391,730)
Arising on the exercise of employee share options	2,370	9,345	–	–	(12,108)	12,108	11,715
Arising on employee shares option lapsed during the period	–	–	–	–	(119,134)	119,134	–
Amount charged to the employee share option reserve	–	–	–	–	91,607	–	91,607
Total	2,370	9,345	–	–	(39,635)	131,242	103,322
Balance at 31 December 2013	2,561,330	5,015,903	102,317	21,670	472,078	1,091,830	9,265,128

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 buyback 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 30 to 59 form an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1 ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2013

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

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 except for derivative financial instruments (see Note 20), which have been measured at fair value and on a going concern basis Set out below is a summary of the more important accounting policies, which have been applied consistently

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 group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity 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 need to strengthen its 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 and equity issuance The Group has a SEK 500m senior secured bond facility, of which it has utilised SEK 350m In addition, in March 2013, the Group completed the issuance of SEK 45m of subordinated unsecured bonds under a new SEK 100m bond facility

In 2013, the Group 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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Going concern (continued)

Management intends to seek opportunities to diversify the Group's sources of funding, thereby mitigating the risk of being dependent on one source of funding and reducing the Group's cost of debt Discussions on the refinancing of the Company's senior and subordinated debt will be undertaken well in advance of their maturity in March 2015, with a view to recapitalising the Company's balance sheet to reduce financial leverage and to improve the Company's effective cost of funding

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 reserves to fund the growth of the business

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 2013 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

IAS 1 (amendment) – 'Presentation of items of other comprehensive income'
IAS 16 (annual improvements 2011) – 'Property, Plant and Equipment'
IAS 19 (amendment) – 'Employee benefits'
IAS 34 (annual improvements 2011) – 'Interim financial reporting'
IAS 32 (annual improvements 2011) – 'Financial Instruments Presentation'
IFRS 1 (annual improvements 2011) – 'First time adoption'
IFRS 7 (amendment) – 'Financial Instruments'
IFRS 13 – 'Fair value measurement'
IFRIC 20 (interpretation) – 'Stripping costs in the production phase of a surface mine'

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 2013 and not early adopted

IAS 16 (annual improvements 2012) – 'Property, Plant and Equipment' – effective 1 July 2014
IAS 19 (amendment) – 'Employee benefits' – effective 1 July 2014
IAS 24 (annual improvement 2012) – 'Related Party Disclosures' – effective 1 January 2014
IAS 38 (annual improvement 2012) – 'Intangible Asset' – Effective 1 January 2014
IAS 40 (annual improvement 2013) – 'Investment Property' – effective 1 July 2014
IFRS 1 (annual improvement 2013) – 'First time adoption' – effective 1 July 2014
IFRS 2 (annual improvement 2012) – 'Share-based Payment' – effective 1 July 2014
IFRS 3 (annual improvement 2012) – 'Business combinations' – effective 1 July 2014
IFRS 3 (annual improvement 2013) – 'Business combinations' – effective 1 July 2014
IFRS 8 (annual improvement 2012) – 'Operating segments' – effective 1 July 2014
IFRS 13 (annual improvement 2012) – 'Fair value measurement' – effective 1 July 2014
IFRS 13 (annual improvement 2013) – 'Fair value measurement' – effective 1 July 2014
IFRS 14 (new standard) – 'Regulatory Deferral Accounts' – effective 1 January 2016

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management team that makes strategic decisions 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 2013

Goodwill

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

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

Goodwill arising on each acquisition is reviewed 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 trademarks and other licenses, software 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 0% 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 3% 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 amortised on a straight-line basis over its useful life of 3 years

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

Investments in subsidiaries

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

Financial instruments

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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 recognised immediately in profit or loss if the draw-down is not expected to occur

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

Derivative financial instruments

The Group 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

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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Foreign exchange (continued)

(iii) Year-end exchange rate

In respect of the Company, the applicable year end exchange rates were €1 1976/£1 (FY 2012 €1 1933/£1) The average exchange rate for the year was €1 1777/£1 (FY 2012 €1 2332/£1)

The Subsidiaries report locally in currencies with year-end exchange rates as follows €1=0 7028 LVL, €1=3 4528 LTL, €1=1 5423 AUD, €1=8 6591 SEK The average exchange rates for the year were €1=0 7028 LVL, €1=3 4528 LTL, €1=1 3777 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 and deferred taxes The tax currently payable is based on taxable profit for the year Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax 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

Notes to the consolidated financial statements (continued)

1 ACCOUNTING POLICIES (continued)

Employee share options

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

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

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

Notes to the consolidated financial statements (continued)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

2.1 Critical 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

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 10

(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 14

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

	2013						
	Finland	Estonia	Lithuania	Latvia	Australia	Other	Total
Loan principal issued	31,113,321	13,750,840	34,512,772	12,909,695	2,634,766	-	94,921,394
Net customer receivables	10,888,354	6,993,612	17,173,446	5,444,302	946,633	-	41,446,347
Non-current non-financial assets	1,024,855	969,232	66,495	48,685	500,972	-	3,510,239
Total assets	16,226,768	13,225,943	23,090,505	7,395,426	1,833,901	(4,022,352)	57,750,191
Total liabilities	14,996,894	6,664,655	16,912,994	6,043,195	5,604,645	(2,961,691)	47,260,692
Revenue from external customers	7,297,565	6,806,505	13,046,786	5,466,077	540,080	-	33,157,013
Revenues from transactions with other operating segments of the same group	931,948	-	-	-	-	(931,948)	-
Impairment	(2,323,180)	(1,258,258)	(2,634,259)	(1,651,799)	(454,750)	-	(8,322,246)
as a % of revenue	32%	19%	20%	30%	84%	–	25%
Depreciation and amortisation	(328,427)	(45,822)	(30,225)	(37,578)	(35,672)	-	(477,724)
Interest expenses	(1,550,650)	(642,207)	(2,218,794)	(901,003)	(133,250)	-	(5,445,904)
Segment measure of profit	362,866	2,643,331	3,735,656	727,543	(2,269,874)	-	5,199,522
as a % of revenue	5%	39%	29%	13%	–	–	16%
Central expenses and Company expenses							(5,336,347)
Subordinated interest expense							(723,896)
Pro forma profit before tax							(860,721)
Pre tax pro forma profit adjustments							(914,946)
Loss before tax							(1,775,667)
Income tax credit/(expense)	338,210	-	(737,216)	3,038	707,817	162,322	474,171

Notes to the consolidated financial statements (continued)

3 SEGMENTAL INFORMATION (continued)

	2012						
	Finland	**Estonia**	**Lithuania**	**Latvia**	**Australia**	**Other**	**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
Non-current non-financial assets	1,032,453	748,546	81,322	82,206	565,066	-	2,509,593
Total assets	13,524,804	9,669,148	15,291,928	5,281,396	591,592	(1,307,482)	43,051,386
Total liabilities	10,836,253	5,531,829	11,452,319	7,352,084	1,814,492	(5,021,339)	31,965,638
Revenue from external customers	8,353,680	5,508,372	9,035,178	4,349,117	27,305	-	27,273,652
Revenues from transactions with other operating segments of the same group	962,189	-	-	-	-	(962,189)	-
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%
Depreciation and amortisation	(30,765)	(25,082)	(16,836)	(34,537)	(31,506)	-	(138,726)
Interest expenses	(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 and Company expenses							(4,708,819)
Pro forma profit before tax							2,542,215
Pre tax pro forma profit adjustments							(1,068,630)
Loss before tax							1,473,585
Income tax credit/(expense)	(252,137)		(496,450)	(68,540)		(2,076)	(819,202)

The segment Other describes the non-business entities, group adjustments and eliminations

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 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2013 €	2012 €
Staff costs (see Note 5)	**4,012,939**	4,013,150
Operating leases	**268,967**	155,209
Provisions for impairment related to continuing operations	**9,228,043**	5,998,130
Net credit write-backs	**905,798**	835,319
Net foreign exchange losses	**-**	7,456
Auditors' remuneration		
- Audit of these financial statements	**44,648**	47,388
- Audit of the Company's subsidiaries	**92,049**	71,121
- Other services	**16,281**	3,953
- Taxation services - advisory	**5,319**	500
- Taxation services – compliance	**-**	844
Amortisation of intangible fixed assets (see Note 10)	**411,750**	85,727
Depreciation of property, plant and equipment (see Note 11)	**65,151**	52,999
Loss on disposal of property, plant and equipment (see Note 11)	**823**	–

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

	2013 €	2012 €
Wages and salaries	**3,128,662**	3,182,742
Social security costs	**792,670**	778,188
Share based compensation	**91,607**	52,220
	4,012,939	4,013,150

Included in the above are Directors' emoluments of €688,146 (FY 2012 €843,585) The highest paid Director received emoluments of €215,630 (FY 2012 €318,604) The highest paid director did not exercise any share options in 2013 or 2012 Reference is made to the Directors' emoluments disclosure in the Directors' Report

The average monthly number employed including executive Directors

	2013	2012
Senior management	**3**	3
Support staff	**67**	66
	70	69

Notes to the consolidated financial statements (continued)

6 FINANCE INCOME AND COSTS

	2013	2012
	€	€
Interest from bank accounts	3,482	968
Finance income	3,482	968
Interest on bonds	6,353,190	3,431,170
Interest on bank loans	–	359,861
Finance costs	6,353,190	3,791,031

Interest on bonds is calculated using the effective interest rate method as required by IAS 39 'Financial Instruments' Issuance costs on the bonds are recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method

7 TAXATION

TAX (CREDIT) / EXPENSE

	2013	2012
	€	€
Current year expense	1,080,689	776,694
Deferred tax expense related to the origination and reversal of temporary differences	(1,554,860)	42,508
Total tax expense	(474,171)	819,202

TAXATION RECONCILIATION

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

	2013	2012
	€	€
Tax rate	24 5%	24 5%
(Loss)/Profit before tax	(1,775,667)	1,473,585
Tax on (loss)/profit before tax at tax rate	(435,038)	361,028
Tax effect of different rates on different tax jurisdictions	(324,876)	(262,858)
Tax effect of income not taxable	(126,878)	(45,521)
Tax effect of tax losses for which no deferred tax was recognised	1,466,278	606,829
Tax effect of expenses that are not deductible for determining taxable profits	661,332	504,898
Tax effect of expenses decreasing the profit for tax purposes	(79,060)	(152,385)
Utilisation of tax losses carried forward	(81,069)	(235,297)
Deferred tax assets recognised	(1,554,860)	42,508
Tax expense	(474,171)	819,202

Notes to the consolidated financial statements (continued)

7 TAXATION (continued)

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

The applicable tax rate in Finland is 24 5% (FY 2012 24 5%), in Latvia 15 0% (FY 2012 15 0%), in Lithuania 15 0% (FY 2012 15 0%) and in Australia 30 0% (FY 2012 30 0%)

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, the Company was able to secure confirmation during 2010 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

DEFERRED TAX

	Tax losses carried forward			Provisioning			Other	Total
	Sweden	Finland	Australia	Finland	Lithuania	Latvia	Lithuania	
	€	€	€	€	€	€	€	€
Deferred tax assets at 1 January 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**
Credited to the statement of comprehensive income	**162,323**	**280,399**	**707,817**	**57,811**	**50,436**	**299,342**	**(3,268)**	**1,554,860**
Foreign exchange adjustment	**(2,076)**	–	**(75,543)**	–	–	–	–	**(77,619)**
At 31 December 2013	**160,247**	**280,399**	**632,274**	**172,469**	**53,110**	**299,342**	**–**	**1,597,841**

Deferred tax was recognised on bad debt provisions of €407,589 (FY 2012 €41,563), at a rate dependent on the country of origin From 2013, the temporary differences related to the non-utilisation of credit losses in Latvia were recognised as tax assets as the Company expects to make profits in Latvia in future periods (in 2012 temporary differences were recognised in amount of €221,107) In Finland, tax assets were recognised on bad debt provisions and tax losses carried forward as the Company expects to make profits in Finland in future periods

Notes to the consolidated financial statements (continued)

7 TAXATION (continued)

In MCB Finance Australia Pty, deferred tax assets were recognised from tax loss carried forward in the amount of €707,817 (FY 2012 €nil) In 2012, temporary tax differences relating to the non-utilisation of losses were €316,662 The difference in exchange rates used for balance sheet and income statement purposes for translating MCB Finance Australia Pty to Group consolidated accounts resulted in the deferred tax asset in the balance sheet being €75,543 lower than in the income statement (balance sheet €632,274) The difference is recognised in Other Comprehensive Income

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the (loss)/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

	2013	2012
Weighted average number of Ordinary shares in issue during the period (number)	**17,685,130**	17,356,045
(Loss)/Profit for the period (€)	**(699,571)**	636,772

(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

	2013	2012
	€	€
Earnings		
- (Loss)/Profit attributable to equity holders of the company	**(699,571)**	636,772
	2013	2012
	Number	Number
Weighted average number of ordinary shares in issue	**17,685,130**	17,356,045
Adjustments for dilutive effect of		
- employee share options	–	291,014
Weighted average number of ordinary shares for diluted earnings per share	**17,685,130**	17,647,059

Notes to the consolidated financial statements (continued)

8 EARNINGS PER SHARE (continued)

The average share price during the year was 74 90p (FY 2012 65 91p) 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 14)

9 DIVIDENDS PER SHARE

During the year, no dividends were paid or declared to shareholders In the prior year dividends of €772,149 (€0 0437 per share) were paid to shareholders

No interim or final dividend has been proposed for the year ended 31 December 2013

10 INTANGIBLE FIXED ASSETS AND GOODWILL

Group	Trademark and Other Licences	Software	Goodwill	Total
	€	€	€	€
At 1 January 2012				
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
Year ended 31 December 2012				
Opening net book amount	73,029	61,472	737,723	872,224
Additions	563,548	687,926	372,117	1,623,591
Amortisation	(42,560)	(43,167)	–	(85,727)
Closing net book amount	594,017	706,231	1,109,840	2,410,088
At 31 December 2012				
Cost	676,224	808,778	1,109,840	2,594,841
Accumulated amortisation	(82,207)	(102,547)	–	(184,753)
Net book amount	594,017	706,231	1,109,840	2,410,088

Notes to the consolidated financial statements (continued)

10 INTANGIBLE FIXED ASSETS AND GOODWILL (continued)

Group	Trademark and Other Licences	Software	Goodwill	Total
	€	€	€	€
Year ended 31 December 2013				
Opening net book amount	594,017	706,231	1,109,840	2,410,088
Additions	9,686	1,406,475	–	1,416,161
Foreign exchange movement	(35,400)	(1,217)	–	(36,617)
Reclassification	–	2,819	–	2,819
Amortisation	(57,000)	(354,750)	–	(411,750)
Closing net book amount	511,303	1,759,558	1,109,840	3,380,701
At 31 December 2013				
Cost	650,510	2,216,855	1,109,840	3,977,205
Accumulated amortisation	(139,207)	(457,297)	–	(596,504)
Net book amount	511,303	1,759,558	1,109,840	3,380,701

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 €411,750 (FY 2012 €85,727) is included in direct operating expenses and administrative expenses, respectively, in the statement of comprehensive income as follows

	2013	2012
Included within	€	€
- direct operating expenses	96,016	74,071
- administrative expenses	315,734	11,656
Total amortisation charge	411,750	85,727

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

Notes to the consolidated financial statements (continued)

10 INTANGIBLE FIXED ASSETS AND GOODWILL (continued)

Goodwill is allocated to the Group's CGUs as follows

	2013	2012
	€	€
MCB Finance Estonia Ou	**368,862**	368,862
MCB Finance Finland Oy	**368,861**	368,861
MCB Finance Australia Pty	**372,117**	372,117
	1,109,840	**1,109,840**

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

	2013 Estimates			2012 Estimates		
	Finland	**Estonia**	**Australia**	Finland	Estonia	Australia
	%	**%**	**%**	%	%	%
Growth rate (<1 year)	**5 0**	**5 0**	**41 7**	5 0	5 0	5 0
Growth rate (2 – 5 years)	**5 0**	**5 0**	**90 5**	5 0	5 0	5 0
Long-term growth rate (>5 years)	**3 0**	**3 0**	**3 0**	3 0	3 0	3 0
Gross margin (<5 years)	**68 4**	**71 6**	**69 2**	70 9	74 9	74 8
Discount rate (<5 years)	**19 7**	**19 5**	**18 1**	18 7	19 0	18 3
Tax Rate estimate for future	**20 0**	**21 0**	**30 0**	24 5	21 0	30 0

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 relevant forecast period The growth rates used for future periods are based on management's expectations of future growth The increase of estimated year 1-5 growth rates used in 2013 compared to 2012 in Australia reflects the strategic decision taken in mid-2013 to refocus Australian business on the near-term profitability, which resulted in lower volumes (and therefore a lower basis for calculating future growth rates) in 2013 The discount rates used reflect an estimate of the company's weighted average cost of capital

Notes to the consolidated financial statements (continued)

11 PROPERTY, PLANT AND EQUIPMENT

Group	Office Equipment €
At 1 January 2012	
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**

	Office Equipment
At 31 December 2012	**€**
Cost	302,108
Accumulated depreciation	(202,603)
Net book amount	99,505
Year ended 31 December 2013	
Opening net book amount	99,505
Additions	98,826
Reclassifications	(2,819)
Disposals	(823)
Depreciation charge	(65,151)
Closing net book amount	129,538
At 31 December 2013	
Cost	232,490
Accumulated depreciation	(102,952)
Net book amount	**129,538**

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)

12 INVESTMENTS IN SUBSIDIARIES

Company

	€
At 1 January 2012	9,794,747
At 31 December 2012	9,794,747
At 1 January 2013	9,794,747
At 31 December 2013	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 2013 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 no operations in Sving Finance UAB during 2013 The Group's online sales financing business, which was launched in December 2012, is currently conducted through MCB Finance UAB

Notes to the consolidated financial statements (continued)

13 TRADE AND OTHER RECEIVABLES

Current receivables

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Customer loan receivables	**46,913,902**	37,855,954	–	–
Less provision for impairment of trade receivables	**(10,461,744)**	(8,029,402)	–	–
Customer loan receivables – net	**36,452,158**	29,826,552		
Amounts due from group undertakings	–	–	**4,484,229**	–
Prepayments	**779,853**	437,625	**21,651**	5,304
Other receivables	**1,192,122**	98,995	–	–
	38,424,133	30,363,172	**4,505,880**	5,304

Non-current receivables

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Customer loan receivables	**5,892,411**	3,660,161	–	–
Less provision for impairment of trade receivables	**(898,224)**	(176,425)	–	–
Customer loan receivables – net	**4,994,187**	3,483,736	–	–
Other receivables	**14,285**	–	–	–
	5,008,472	3,483,736	–	–

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 2013

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	
	2013	2012	**2013**	2012
	€	€	**€**	€
At 1 January	**8,205,826**	4,961,590	–	–
Charge for the year	**9,228,043**	5,998,130	–	–
Amounts written off during the year	**(6,073,901)**	(2,753,894)	–	–
At 31 December	**11,359,968**	8,205,826	–	–

The provisions charged to the statement of comprehensive income during the period were €9,228,043 (FY 2012 €5,998,130) During the year, there was a net credit write back of €905,798 (FY 2012 €835,319)

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

Notes to the consolidated financial statements (continued)

13 TRADE AND OTHER RECEIVABLES (continued)

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 Group's bond facility agreement

Past due but not impaired

As of 31 December 2013, all trade receivables past due have been impaired in accordance with the Group's policies

14 CALLED UP SHARE CAPITAL

	2013		2012	
	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	**17,690,007**	**2,561,330**	17,670,007	2,558,960

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 20,000 (FY 2012 975,760) ordinary shares were issued following the exercise of share options issued, as follows

On 31 March 2013, an employee of the Company exercised their options of 20,000 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

Notes to the consolidated financial statements (continued)

14 CALLED UP SHARE CAPITAL (continued)

(B) 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 2013	Exercised	Cancelled/ expired/ lapsed options	**Options outstanding as at 31 December 2013**	Exercise price
Directors					
05 February 2007	241,000	–	–	**241,000**	41p
05 February 2007	302,000	–	–	**302,000**	50p
28 February 2008	65,362	–	(65,362)	–	50p
28 July 2011	357,500	–	(44,687)	**312,813**	54p
28 July 2011	357,500	–	(44,688)	**312,812**	76p
Employees					
05 February 2007	55,000	–	(30,000)	**25,000**	50p
05 February 2007	42,000	–	–	**42,000**	41p
15 February 2008	45,000	(20,000)	(25,000)	–	115p
24 May 2010	25,000	–	(25,000)	–	50p
28 July 2011	60,000	–	(29,375)	**30,625**	54p
28 July 2011	60,000	–	(29,375)	**30,625**	76p
24 April 2012	20,000	–	–	**20,000**	50p
26 April 2012	250,000	–	(250,000)	–	50p
16 May 2012	176,600	–	(176,600)	–	100p
01 June 2012	176,600	–	–	**176,600**	100p
	2,233,562	(20,000)	(720,087)	**1,493,475**	

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 2013, no options were issued over the ordinary shares of the Company (FY 2012 623,200) One-sixteenth of the options granted in the prior year vest at the end of each calendar quarter, subject to the holder remaining an employee of the Company The weighted average exercise price of the share options granted during the prior year was 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 98,125 of the share options issued in July 2011 lapsed during the year, none were exercised

During the year a total of 720,087 options (FY 2012 247,000) lapsed unexercised 556,600 options lapsed as a result of certain share option holders ceasing employment with the Company In addition 65,362 options issued in February 2008 and 98,125 options issued in July 2011 expired unexercised

The weighted average exercise price of the share options that lapsed during the year was 53 1p (FY 2012 63 9p) Those share options that have lapsed do not represent a gain to the Company

During the year, 20,000 share options were exercised At 31 December 2013, the Company had 1,493,475 FY(2012 2,223,562) options outstanding with a total of 610,000 (FY 2012 750,362) exercisable at the year end The options outstanding at 31 December 2013 had a range of exercise prices of 41p to 100p (FY 2012 41p to 100p) and a weighted average remaining contractual life of 3 5 years (FY 2012 2 7 years)

Notes to the consolidated financial statements (continued)

14 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

	2013	2012
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

	2013	2012
Fair value of options granted	–	4 5p – 63 4p
Number of options outstanding as at 31 December	1,493,475	2,233,562
Weighted average exercise price of the options outstanding at the year end	61 1p	64 0p
Weighted average fair value of the options granted during the year	–	47 3p

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 €91,607 (FY2012 €93,441)

Notes to the consolidated financial statements (continued)

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Trade payables	**1,105,256**	754,554	**9,509**	–
Other taxation and social security	**649,672**	492,287	–	–
Other payables	**245,202**	197,554	–	–
Amounts owed from group companies	–	–	–	158,544
Accruals	**286,790**	455,865	**83,054**	87,988
	2,286,920	1,900,260	**92,563**	246,532

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

16 BORROWINGS

Long Term Borrowings	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Long term debt – due between 1 – 5 years	**43,414,101**	28,915,285	**4,999,709**	–

On 8 March 2012, the Group completed a SEK 200m (€22 4m) 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 500m

On 2 July 2012, the Group completed a second issue of asset-backed bonds totalling SEK 60m (€6 8m) under the bond facility put in place in March 2012 through which the Group can raise a total of SEK500m

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

In March 2013, the Group raised SEK 45m (equivalent to approximately EUR 5 4m) 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 100m (equivalent to approximately EUR 12m)

On 15 May 2013, the Group completed a third issue of asset-backed bonds totalling SEK 86m and EUR 0 5m (in total 10 5m EUR) under the bond facility put in place in March 2012 through which the Group can raise a total of SEK500m

Notes to the consolidated financial statements (continued)

16 BORROWINGS (continued)

The bonds issued in March 2012, July 2012 May 2013 rank as senior obligations of the Group, are secured against the Group's outstanding customer loan receivables, mature in March 2015 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 subordinated bonds issued in March 2013 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

17 OPERATING LEASE COMMITMENTS

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

	2013	2012
	€	€
Rental payments within 1 year	**199,536**	129,041
Rental payments over 1 and within 5 years	**89,060**	68,929
	288,596	197,970

Included above are rental payments related to car leases within one year of €31,412 (FY 2012 €27,663), and rental payments related to car leases over 1 and within 5 years of €89,060 (FY 2012 €59,998)

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 2014 and is non-cancellable

Under the terms of the rental agreement in Latvia, the office lease can be cancelled with three months' notice

Under the terms of the rental agreement in Australia, the office lease expires on 1 May 2014 and is non-cancellable

Notes to the consolidated financial statements (continued)

18 NOTES TO THE CASH FLOW STATEMENT

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

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Operating profit	**4,176,473**	6,158,390	**(6,498)**	(334,473)
Finance costs - net	**(6,349,708)**	(3,790,063)	**(92,070)**	–
Financing – foreign exchange losses on borrowings	**1,334,947**	(894,742)	**(293,162)**	–
Gains / losses arising on derivatives	**(937,379)**	(918,344)		
Depreciation	**65,151**	52,999	–	–
Amortisation	**411,750**	85,727	–	–
Loss on disposal of fixed asset	**823**	–	–	–
Employees share options	**91,607**	93,438	**91,607**	93,438
Translation on foreign currencies	**586 291**	(1,284)	–	(1,454)
(Increase)/decrease in receivables	**(10,332,036)**	(11,045,764)	**(42,208)**	317,181
Increase in payables	**682,629**	874,538	**4,702**	170,712
Decrease in amounts owed to group	–	–	**(4,642,899)**	–
Cash flow (used in)/generated from operating activities	**(10,269,452)**	(9,385,104)	**(4,980,528)**	245,404

CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	
Cash at bank and in hand	**8,675,255**	5,655,941	**30,913**	17

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

Notes to the consolidated financial statements (continued)

19 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 €249,275 (FY 2012 €293,129) by MC Global Limited, and the Group paid MC Global Limited €249,275 (FY 2012 €269,239) 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

In November 2013, Smec OU acquired the *Credit24* trademark from MC Global Limited and the above described license contract was transferred from MC Global Limited to Smec OU The content of the transferred license contract remained unchanged Since the date of this transfer, Smec OU has charged the license fee from MCB Finance AS for usage of *Credit24* brand in the above described locations for the period of November and December 2013, in the total amount of €50,051 This amount has been paid to Smec OU during the year No other transactions were carried out with Smec OU in 2013

At 31 December 2013, MCB Finance Group Plc was due from its subsidiary, MCB Finance AS, €4,484,229 (FY 2012 MCB Finance Group Plc owed its subsidiary €158,672), including accrued annual interest of €319,228 (FY 2012 €10,544)

Further related party transactions are summarised below

Transactions	**2013**	2012
	€	€
IT and Consultancy services received [a]	**4,036**	18,280
IT and Consultancy services paid [a]	**4,660**	18,280

Balances	**2013**	2012
	€	€
Payables for IT and Consultancy services [a]	-	624

(a) Related parties include Mlaboratory Ou and Katana Invest Ou

These companies are considered related parties by virtue of ownership stakes held by certain employees of the Group These arrangements were terminated during 2013

Key management and Director's emoluments are disclosed within Note 5 and the Director's report of these financial statements No other transactions were undertaken with key management personnel

20 DERIVATIVE FINANCIAL INSTRUMENTS

The senior bond is secured against the Group's outstanding customer loan receivables, has maturity up to three years and carries a fixed coupon of 13% per annum, paid quarterly in arrears The junior bond is un-secured, has maturity up to three years and carries a fixed coupon of 18% per annum, paid quarterly in arrears All bonds are affiliated to Euroclear and are listed on the Corporate Bond List of NASDAQ OMX

Notes to the consolidated financial statements (continued)

20 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

In 2013, the Group completed one asset-backed issue and one unsecured bond issue to investors in the Nordic region These were in addition to the two asset-backed issues made in 2012 All asset-backed issues have been made under the same bond facility through which the Group is able to raise up to SEK 500m From January 2013, following an amendment secured from bondholders to the terms and conditions of the facility agreement, the Group can raise bonds in SEK and EUR

As at the end of 2013, a total of SEK 346m (€39 1m) and €0 5m senior bond and SEK 45m (€5 1m) junior bond had been issued (FY 2012 respectively SEK 260m, €nil and SEK nil)

The Group's SEK exposure is hedged using Euro/SEK currency options At the end of 2013, foreign currency options were in place which would limit the Group's exposure on its senior and subordinated bonds (including unrealised gains accrued to end 2013) to a weighted average 4 9% weakening in the value of the Euro over the remaining maturity of the senior and subordinated bonds The hedge relates to the full amount of principal and interest payable under the terms of the bonds

The carrying amount at the 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 €1,462,195 (FY 2012 €908,908), which was equal to the cash consideration The change in the fair value, which was been recognised in the profit and loss account during the period, totalled €937,379 (FY 2012 €9,346) The fair value at the reporting date, which has been recognised within current assets, was €534,251 (FY 2012 €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

	Loans & Receivables		Derivatives used for hedging	
	2013	2012	**2013**	2012
	€	€	**€**	€
GROUP - Assets per the statement of financial position				
Trade and other receivables excluding prepayments	**42,652,752**	29,925,547	–	–
Derivatives	–	–	**534,251**	918,344
Cash and cash equivalents	**8,675,255**	5,655,941	–	–
	51,328,007	35,581,488	**534,251**	918,344

	Loans & Receivables		Derivatives used for hedging	
	2013	2012	**2013**	2012
	€	€	**€**	€
COMPANY - Assets per the statement of financial position				
Trade and other receivables excluding prepayments	**4,484,228**	–	–	–
Derivatives	–	–	**25,860**	–
Cash and cash equivalents	**30,913**	17	–	–
	4,515,141	17	**25,860**	–

Notes to the consolidated financial statements (continued)

21 FINANCIAL INSTRUMENTS (continued)

	Other financial liabilities at amortised cost Group		Other financial liabilities at amortised cost Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Liabilities per the statement of financial position				
Borrowings	**43,414,101**	28,915,285	**4,999,709**	–
Trade and other payables excluding non financial liabilities	**2,286,920**	1,900,260	**92,563**	246,532
	45,701,021	30,815,545	**5,092,272**	246,532

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 two years expiring in March 2015 There are no contractual repayments due prior to the maturity dates in March 2015 (see Note 16)

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 2013 had been 3% higher or lower, and all other variables were held constant, then the Group's loss for the year ended 31 December 2013 would have decreased or increased by €340,799 (FY 2012 €246,175) The maximum exposures to credit risk are the amounts disclosed in Note 13 and 18 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

The Group's SEK exposure on its outstanding SEK-denominated bonds is hedged using Euro/SEK currency options At the end of 2013, foreign currency options were in place which would limit the Group's exposure on its senior and subordinated bonds (including unrealised gains accrued to end 2013) to a weighted average 4 9% weakening in the value of the Euro over the remaining maturity of the senior and subordinated bonds At the reporting date, the bond liabilities denominated in SEK amounted to €44 2m

Notes to the consolidated financial statements (continued)

21 FINANCIAL INSTRUMENTS (continued)

Foreign exchange translation differences in respect of the Group's Australian business are recorded as Other Comprehensive Income

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 €1 7m and financial liabilities totalling €0 3m

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 loss for the year ended 31 December 2013 would have increased or decreased by €43,400 (FY 2012 €19,600) due to the Group's exposure to variable interest rates on its cash and cash deposits

The Group pays interest on the bonds issued during 2012-2013 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 16, offset by cash and bank balances as detailed in Note 18) and equity of the Group (comprising issued capital, reserves, and retained earnings as detailed in the consolidated statement of changes in equity)

In 2013, the debt outstanding of the Group consisted of SEK 291m (Euro 44 2m) and EUR 0 5m asset-backed and unsecured bonds (FY 2012 SEK 260m asset-backed bonds) issued to investors in the Nordic region in 2012 and 2013 Proceeds from the issue have been used to fund the continued growth of the Group's consumer loan portfolio In 2012 the Group issued bonds to refinance itself from an outstanding facility with Rietumu Bank

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 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 and/or bonds or sell assets to reduce debt

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