FOLKIA™

Folkia AS
Annual report
2008

Directors´ report 2008 for Folkia AS and the Group

The nature and location of the operations

Folkia AS (previously Folkefinans AS) was established in Oslo on 2 January 2007 and its head office is at C J Hambros plass 2c in Oslo. As at 31 December 2008, the Group consists of the parent company, Folkia AS, and the subsidiary Folkia AB in Sweden.

The Company's objective is to operate as a finance house and credit institution. Folkia AS offers simple, everyday financial services at fixed prices and on conditions that are clear to customers. Folkia AS was awarded a licence as a finance house and credit institution by the Norwegian Ministry of Finance in October 2007. At the end of that year, the Company carried out a NOK 110 million private placement with Pareto Securities as the lead manager.

Folkia AS started to operate on a modest scale in Norway in February 2008, while waiting for an amendment to the Norwegian Money Laundering Act that allows simpler customer identification through a bank ID (electronic signature). The operations in Sweden started up in 2006, and the company is the leading player in this market.

The Group's operations in all markets are located in Stockholm, where most of the employees work. In February 2008, the company moved into newly renovated and more suitable premises at Medborgarplatsen 3 in Södermalm, Stockholm.

Membership

Folkia is a member of the Association of Norwegian Finance Houses (FINFO), which is a member of the Norwegian Financial Services Association (FNH).

Acquisitions of companies

In 2008, Folkia AS realised its plan to become a leading Nordic player in the field of microloans. After a provisional purchase agreement was entered into in December 2007, the Board decided in January 2008 to buy Dansk Finansieringskompagni ApS. This company carries out similar operations in Denmark under the brand names "Cash1970" and "Folkia" pursuant to a cooperation agreement with Folkia AS that was approved by Kredittilsynet (the Financial Supervisory Authority of Norway) in the spring of 2008.

In July 2008, the Board also decided to buy Monetti Oy, which has operations in Finland and Estonia. This company is one of the leading players in its market area. Through this acquisition, Folkia AS has become the largest microloan company in the Nordic and Baltic regions.

The Company expects to achieve good synergy effects from shared marketing in all markets and centralised operations in Stockholm.

Both Danske Finansieringskompagni ApS and Monetti Oy were formally acquired in January 2009.

The acquisitions of Folkia AB, Dansk Finansieringskompagni ApS and Monetti Oy were approved by Kredittilsynet (the Financial Supervisory Authority of Norway) in October and November 2008. The prerequisite for these approvals was that the process of converting the subsidiaries into branch offices is to have started by mid-April 2009 and the operations are to be transferred to the respective branches.

Financing connections

Folkia AS's main banking connection is DnBNOR, which has branches in all the Nordic countries, including the Baltic region. Folkia has agreements with DnBNOR regarding a group account system, liquidity management and bank ID (electronic signatures). In addition, an agreement has been established regarding the currency hedging of the parent company's equity in connection with loans to subsidiaries.

Folkia, through Folkia AB, has a credit facility of NOK 25 million and an agreement to broker Folkelåns of around NOK 10,000-50,000 in return for commission with Svea Ökonomi AB.

Governing bodies and management

The Board held nine meetings and the Control Committee held four meetings in 2008. The Credit Committee has regular monthly meetings.

Apart from the work on the acquisitions and of improving the efficiency of and developing the operations, the management has worked actively on improving the reporting to the Board and committees and on internal controls, including credit and debt-collection manuals and policies. The management holds meetings every fortnight at which all the business areas are reviewed.

An improved customer service system was also implemented in 2008 and will result in a much higher level of service to customers as well as better functionality and efficiency for the Group. The Group now has more than 150,000 customers in its customer base.

External factors

The international financial crisis has affected Folkia AS both positively and negatively. Since Folkia AS is mainly financed through equity and offers short-term loans with a high turnover, the Company has been able to meet the increased demand for microloans from its customers.

However, the financial uncertainty and rising unemployment increase the potential for losses on existing and new loans. It is therefore important that Folkia complies with its credit policy and internal rules.

Financial results for 2008

Folkia AS's financial statements and consolidated financial statements for 2007 were prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP). The consolidated financial statements for 2008 have been prepared in accordance with IFRS. Folkia AS's company financial statements for 2008 have been prepared in accordance with NGAAP.

Folkia AS

The parent company, Folkia AS, had net interest and credit commission income of NOK 7 011 194 minus NOK 5 826 843 in net changes in the value of currency derivatives in 2008. The income statement for 2008 shows a loss for the year of NOK 7 292 214, compared to a loss of NOK 1 736 773 in 2007.

The balance sheet total came to NOK 134 million, of which NOK 125 million was equity. The corresponding figures for 2007 were NOK 129 million and NOK 126 million respectively.

The cash flow statement shows that the bank deposits of NOK 80 million at the beginning of 2008 were on the whole converted into loans to subsidiaries/other receivables/results of ordinary operations in 2008.

The Group

In 2008, the Folkia Group had sales revenues of NOK 64.7 million, an increase of 50 per cent compared to the pro forma figures for 2007. Most of the revenues came from the Swedish market.

The income statement for 2008 shows a loss for the year of NOK 5 564 841 compared to a loss of NOK 2 051 876 in 2007. The increase in the loss is due to continued high marketing costs, the development of the organisation, costs relating to the acquisition of the companies in Denmark, Finland and Estonia, the establishment of the Folkia brand name in Denmark and larger losses on loans.

The balance sheet total is NOK 160 million, of which NOK 127 million is equity. The corresponding figures for 2007 were NOK 136 million and NOK 126 million respectively.

The cash flow statement shows that the Group's cash holdings at the beginning of 2008 were mainly converted into loans to customers in 2008.

Capital adequacy

At the year-end, the Company's capital adequacy ratio was 63.1 per cent and the Group's capital adequacy ratio was 54.9 per cent, while the minimum requirement of the Norwegian authorities is 8.0 per cent. The Company and Group report their key figures to the authorities each quarter.

The acquisitions

In connection with the acquisitions in Denmark and Finland, independent valuations were conducted in the same way as for the acquisition in Sweden. In connection with these, all the relevant assets/liabilities were examined and assessed. The expectations relating to the acquisition of Folkia AB in 2007 have been realised and have been positive for the Group. The capitalised costs in connection with the acquisitions are NOK 5 439 095.

Financial risk

The Board considers the financial risk to be acceptable and believes that Folkia AS has good opportunities for further growth and positive earnings in 2009 based on satisfactory equity.

In order to manage the foreign exchange risk at a Group level, Folkia AS has entered into forward exchange contracts.

Folkia invests its excess liquidity in banks at floating interest rates that are regularly adjusted.

The Company has short-term lending linked to microloans with fixed charges and a 30-day repayment period. The Company therefore has a low level of interest-rate risk and is not very affected by changes in the market rate. Other loans have been given at floating interest rates.

As regards the credit risk, Folkia AS has maximum loan limits for microloans and standard credit rating requirements. It has developed its own scoring model for the credit rating of private customers and loans are not given to existing customers until previous loans have been repaid.

At a Group level, the management monitors the Group's liquidity reserve, which consists of a loan facility and cash, through regular forecasts based on the estimated cash flow.

Annual financial statements/going concern

The annual financial statements for Folkia AS and the Group have been prepared on a going concern basis. In the Board's opinion, the financial statements that have been presented, which comprise the income statement, balance sheet, cash flow statement, accounting principles and notes, provide a true picture of the operations and the Company's and Group's position at the year-end. No factors have arisen after the end of the financial year that are of importance to the assessment of the

Company and Group and which are not stated in the annual financial statements and associated notes.

The Board proposes transferring the losses for the year for the parent company and Group of NOK 7 292 214 and NOK 5 564 841 respectively to other equity.

Shares and shareholders

The company's share capital as at 31 December 2008 is NOK 60 706 620 divided into 12 141 324 shares each with a nominal value of NOK 5. The shares are registered in the Norwegian Central Securities Depository and Folkia AS has a total of 42 registered shareholders, of whom 22 are Norwegian-resident while the rest are foreign-resident. However, the total number of shareholders in Folkia AS is more than this, since several foreign-resident shareholders use nominee accounts.

Organisation and working environment

The Company's working environment is considered to be good. The Company does not pollute the external environment. In Norway, the Company had four employees as at 31 December 2008 and had no injuries or absences due to illness in 2008. The Group has 23 employees.

Gender equality

The company's management is making active efforts to achieve gender equality in its work of developing the organisation.

Market developments

The Board considers the outlook for 2009 to be good for the company's products. We expect a higher or stable demand for our products, although with an increased level of risk. However, the company will regularly adapt its routines, credit policy and lending regulations to the increased risk which has arisen due to the international financial crisis.

Folkia's goal for 2009 is to continue to be the leading and preferred player in the Nordic and Baltic regions in the fields of microloans and everyday financial services.

Oslo, 17 March 2009

The Board of Directors of Folkia AS

Hördur Bender (styreformann)	Stig Magnus Herbern	Leif Bernhard Bjørnstad
Finn Terje Schøyen (viseformann)	Nils Otto Nielsen	Eilif Bjerke
Per Spångberg (daglig leder)		

Folkia AS
Income statement

NOTE	INTEREST AND CREDIT COMMISSION INCOME	2008	2007
	Interest income and similar incomes		
	Interest and similar incomes from loans to and receivables from credit institutions	815,937	592,729
	Interest and similar incomes on loans to and receivables from customers	501,047	0
	Other interest income and similar incomes	5,736,256	28,970
	Total interest income and similar incomes	**7,053,240**	**621,699**
	Interest expenses and similar expenses		
	Other interest expenses and similar expenses	42,046	0
	Total interest expenses and similar expenses	**42,046**	**0**
	Net interest and credit commission income	**7,011,194**	**621,699**
	Net change in value and gain/loss on currencies and securities that are current assets		
4	Net change in value and gain/loss on shares, currencies and financial derivatives	-5,826,843	0
	Total net change in value and gain/loss on currencies and securities that are current assets	**-5,826,843**	**0**
	Total other operating revenues	**-5,826,843**	**0**
	OTHER OPERATING EXPENSES		
	Salaries and general administrative expenses		
2	Salaries, etc	2,301,605	0
	Total salaries and general administrative expenses	**2,301,605**	**0**
	Depreciation/amortisation, etc, of tangible fixed assets and intangible assets		
3	Ordinary depreciation/amortisation	280,000	0
	Total depreciation/amortisation, etc, of tangible fixed assets and intangible assets	**280,000**	**0**
	Other operating expenses		
2, 17	Other operating expenses	7,631,320	3,010,351
	Total other operating expenses	**7,631,320**	**3,010,351**
	Total depreciation/amortisation and other operating expenses	**10,212,925**	**3,010,351**
	Losses on loans, guarantees, etc		
14	Losses on loans	1,055,000	0
	Total losses on loans, guarantees, etc	**1,055,000**	**0**
	Loss on ordinary operations before tax	**-10,083,574**	**-2,388,652**

16	Tax on loss on ordinary operations	-2,791,360	-651,879
	LOSS FOR THE YEAR	**-7,292,214**	**-1,736,773**
	TRANSFERS AND ALLOCATIONS		
7	Transferred to other equity	-7,292,214	1,736,773

Folkia AS
Balance sheet as at 31 December

NOTE	ASSETS	2008	2007
	Loans to and receivables from credit institutions		
9, 10	Loans to and receivables from credit institutions without an agreed term or cancellation period	6,765,637	80,325,076
	Total net loans to and receivables from credit institutions	6,765,637	80,325,076
	Loans to and receivables from customers		
9, 10, 14	Repayment loans	1,606,606	0
9, 10, 14	Specified loss reserves	-1,055,000	0
	Total net loans to and receivables from customers	551,606	0
	Ownership interests in group companies		
5	Shares	28,904,993	28,904,993
	Total ownership interests in group companies	28,904,993	28,904,993
	Intangible assets		
16	Deferred tax assets	5,024,340	2,232,980
3	Other intangible assets	1,595,000	0
	Total intangible assets	6,619,340	2,232,980
	Other assets		
9, 10, 15	Receivables	91,001,152	17,102,532
	Total other assets	91,001,152	17,102,532
	TOTAL ASSETS	**133,842,728**	**128,565,581**

Folkia AS
Balance sheet as at 31 December

NOTE	EQUITY AND LIABILITIES	2008	2007
	Liabilities		
	Other liabilities		
4	Financial derivatives	5,826,843	0
18	Other liabilities	2,889,224	2,200,359
	Total other liabilities	8,716,067	2,200,359
	Total liabilities	**8,716,067**	**2,200,359**
	Equity		
	Equity contributed		
6, 7	Share capital	60,706,620	60,706,620
6, 7	Own shares	-550,870	-1,765,000
7	Share premium account	74,614,565	74,614,565
	Total equity contributed	134,770,315	133,556,185
	Retained earnings		
7	Other equity	-9,643,654	-7,190,963
	Total retained earnings	-9,643,654	-7,190,963
	Total equity	**125,126,661**	**126,365,222**
	TOTAL EQUITY AND LIABILITIES	**133,842,728**	**128,565,581**

Oslo, 17 March 2009
The Board of Directors of Folkia AS

Hördur Bender
(chairman)

Stig Magnus Herbern

Leif Bernhard Bjørnstad

Finn Terje Schøyen
(vice-chairman)

Nils Otto Nielsen

Eilif Bjørke

Per Spångberg
(general manager)

Folkia AS
Cash flow statement

	2008	2007
CASH FLOW FROM OPERATIONS		
Loss on ordinary operations before tax	-10,083,574	-2,388,652
Ordinary depreciation/amortisation	280,000	0
Net change in value and gain/loss on financial derivatives	5,826,843	0
Change in accounts receivable	-551,606	0
Change in other receivables	-24,542,027	-78,562
Change in intercompany balances/external financing	-49,356,593	-17,023,970
Change in accounts payable	267,114	1,808,533
Change in other current assets and other liability items	0	391,826
Net cash flow from operations	**-78,159,843**	**-17,290,825**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible fixed assets	-1,875,000	0
Net cash flow from investing activities	**-1,875,000**	**0**
CASH FLOW FROM FINANCING ACTIVITIES		
Payments received on new long-term liabilities	421,750	0
Equity contributions received	0	113,467,973
Formation and share issue costs	0	-5,646,788
Purchase of own shares	6,053,652	-8,800,290
Costs of non-cash contributions	0	-1,404,993
Net cash flow from financing activities	**6,475,402**	**97,615,902**
Effect of changes in foreign exchange rates on bank deposits, cash, etc	**0**	**0**
Net change in bank deposits, cash, etc	-73,559,441	80,325,077
Bank deposits, cash, etc, when the company was formed	0	0
Bank deposits, cash, etc, as at 01.01.	80,325,077	0
Bank deposits, cash, etc as at 31.12.	**6,765,636**	**80,325,077**

Folkia AS
Notes to the 2008 financial statements

Note 1 Accounting principles

Folkia AS was formed on 2 January 2007.
The annual financial statements have been prepared in accordance with the Norwegian Accounting Act of 17 July 1998, the regulations concerning annual financial statements, etc, for banks and finance companies of 16 December 1998 and generally accepted accounting practices in Norway.

Folkia's consolidated financial statements have been prepared in accordance with IFRS and are published in a separate document.

Main rule for assessing and classifying assets and liabilities
The balance sheet complies with the regulations concerning annual financial statements for banks and finance companies.
Assets that are determined to be for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that are to be repaid within one year are classified as current assets. When classifying current and long-term liabilities, corresponding criteria have been used.

Current assets are valued at their original cost or their fair value, whichever is lower.

Fixed assets are valued at their original cost, but are written down to their recoverable amount if this is less than their book value and the impairment in value is not expected to be temporary. Fixed assets with a limited economic life are depreciated systematically.

Other long-term liabilities and current liabilities are valued at their nominal amount.

Assets and liabilities in foreign currencies
Monetary items in foreign currencies are converted in the balance sheet at the rate applicable on the balance sheet date.
Forward exchange contracts are recognised in the balance sheet at their fair value on the balance sheet date.

Intangible assets
The costs of in-house production of intangible assets, including the costs of own research and development work, are recognised in the balance sheet when it is probable that the future economic benefits linked to the assets will accrue to the company and the original cost can be measured reliably.

Intangible assets that are bought individually are recognised in the balance sheet at their original cost. Intangible assets acquired when a company is bought are recognised in the balance sheet at their original cost when the criteria for balance sheet recognition are met.

Intangible assets with a limited economic life are amortised systematically. Intangible assets are written down to their recoverable amount if the estimated economic benefits do not cover the balance sheet value and any remaining production costs.

Financial derivatives
Derivatives do not qualify for hedge accounting. Derivatives are recognised in the balance sheet at their fair value on the date when the derivatives contract is entered into and thereafter at their fair value. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement as changes in financial derivatives. The fair value of derivatives contracts is determined using valuation methods.

Shares in subsidiaries
Investments in subsidiaries are valued according to the cost method. The investments are written down to their fair value if the impairment is not temporary and this must be regarded as being necessary according to generally accepted accounting practices.

Income and expense recognition
Interest and commissions are recognised in the income statement as these are accrued as incomes or incurred as expenses. Charges which are a direct payment for services carried out are recognised as income when they accrue.

Accounts receivable - microloans
Short-term lending is measured at fair value for initial balance sheet recognition purposes. In later measurements, microloans are valued at their amortised cost determined using the effective interest rate method (simplified) minus provisions for incurred losses.
All of the loans sent for debt collection are recognised in the balance sheet as provisions for losses.

Other receivables
Other receivables are entered at their nominal value after deducting provisions for estimated losses.
Provisions for losses are determined on the basis of an individual assessment of each receivable.

Bank deposits, cash, etc
Bank deposits, cash, etc, include cash, bank deposits and other means of payment with a due date which is less than three months from the date of procurement.

Tax
The tax cost is placed together with the accounting result before tax. Tax linked to equity transactions is recognised in equity. Tax consists of tax payable (tax on the year's direct taxable income) and changes in net deferred tax. Deferred tax and deferred tax assets are presented net in the balance sheet.

Note 2 Salary costs, number of employees, allowances, loans to employees, etc

Salary costs	**2008**	**2007**
Salary	1,944,499	-
National Insurance contributions	209,498	-
Pension costs	34,896	-
Other benefits	28,376	-
Total	2,217,269	-

The amounts include salaries to senior employees.		
Number of man-years employed during the financial year	2	-
Number of employees	4	-

As at 31 December 2008, a minimum Compulsory Company Pension (OTP) has been taken out for one of the company's two permanent employees. In addition, these two permanent employees have been able to use 8% of their permanent salary for their own pension savings schemes.

Payments to senior employees	**Salary**	**Pension costs**	**Other allowances**
General manager (CEO)	0	-	-
Chairman of the Board	888,000	-	-
Directors	40,000	-	-
Credit Committee	67,800	-	-

The CEO carries out most of his work in Folkia AB and is paid by this company.

Loans and security granted to senior employees, shareholders, etc

		Amount	**Interest rate**	**Repayment schedule**
Chairman of the Board	Outstanding account	217,200	-	1 year

A business outstanding account has arisen with the chairman of the board in 2008. Folkia AS has a receivable of NOK 750,000 from Interactive á Íslandi and a debt to Hördur Bender of NOK 532,800. This will be settled by set-off in 2009.

Transactions with related parties.
Folkia AS has been involved in transactions with the following related parties.

Nexia DA
Owned by, among others, the former chairman of the board and now director and shareholder Finn Terje Skøyen, the former director and shareholder Harald Nicolai Nordstrand and the shareholder Jan Morten Ruud.
Fivado AS
Fully owned by Ove Dag Alsaker, who is Head of Compliance and a shareholder in Folkia AS.
Interactive á Íslandi
Owned by the current chairman of the board and main shareholder Hördur Bender.
Viadella Investment OÜ
The former owner of DFK Holding AS, which owns Dansk Finansieringskompagni ApS (DFK), which was still in the process of being bought up by the Group on the balance sheet date, but over which Folkia has full control in 2009.

Purchase of services from related parties:	**2008**	**2007**
Nexia DA	931,875	1,423,604
Fivado AS	934,500	702,621
Interactive á Íslandi	1,050,000	-
Viadella Investments OÜ	460,416	-
Total	**3,376,791**	**2,126,225**

The above amounts are inclusive of value added tax where relevant.

Auditor
The remuneration paid to Deloitte AS and collaborating companies is divided as follows (excluding value added tax):

	2008	**2007**
Mandatory audit	191,000	-
Other attestation services	-	123,715
Tax advice	8,500	-
Other services apart from the audit	198,500	-

Note 3 Intangible assets

	Software, licences
Original cost 01.01.08	-
Additions	1,875,000
Disposals	-
Original cost 31.12.08	1,875,000
Acc. amortisation 31.12.08	280,000
Book value 31.12.08	**1,595,000**
Amortisation during the year	280,000
Economic life	5 years
Amortisation schedule	Straight line

Note 4 Derivatives

Financial instruments assessed at their fair value

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts. -Bought NOK - sold SEK		4,490,410		
Forward exchange contracts. Bought NOK - sold DKK		1,336,433		
Total balance sheet values	**-**	**5,826,843**	**-**	**-**
Of which current liabilities	-	**5,826,843**	-	-

Original cost	-
The changes in value recognised in the income statement for the period	-5,826,843

Derivatives that are held for trading are classified as current assets or liabilities. All the fair value of the derivative is classified as a long-term asset or liability if the remaining term to maturity is more than 12 months, and as a current asset or liability if the remaining term to maturity is less than 12 months.

The nominal amount of outstanding forward exchange contracts was NOK 88 000 000 as at 31 December 2008 (2007: NOK 0).

The purpose of having the forward exchange contracts is to hedge the foreign exchange exposure at Group level.

Note 5 Subsidiary

Company	Acquired on (date)	Consolidated (yes/no)	Registered office	Voting share	Ownership share
Folkia AB	Dec 2007	YES	Stockholm	100%	100%

Note 6 Share capital and shareholder information

As at 31 December 2008, the share capital in the parent company consists of:

	Number	Nominal value	Book value
Shares	12,141,324	**5**	60,706,620
Total	**12,141,324**		**60,706,620**

All the shares have equal voting rights.

Ownership structure

The largest shareholders in the company as at 31 December 2008

	Shares	Ownership share
Interactive a Islandi HF	1,824,915	15.0%
Euroclear Bank S.A./N.V. ('BA')	1,735,355	14.3%
Engey Invest ehf	1,214,100	10.0%
Sjavarsyn EHF Bjarni Armandsson	1,214,100	10.0%
UBS (Luxembourg) S.A (S/A Folkia)	1,166,000	9.6%
Six Sis AG	433,320	3.6%
Fivado AS	314,483	2.6%
Carnegie Investment Bank AB	309,441	2.5%
Skandinaviska Enskilde Banken	289,057	2.4%
UBS (Luxembourg) S.A (client account)	273,409	2.3%
Oü Viadella Investments	242,826	2.0%

Berasco Limited	242,869	2.0%
Societe Generale Global Sec Serv.	238,276	2.0%
Jan Erik Dyvi	200,500	1.7%
RBC Dexia Investor Services Bank	200,500	1.7%
AS Småfinans	175,150	1.4%
Dynamo AS	173,166	1.4%
Schøyen Industrier AS	153,334	1.3%
Ruud Industrier AS	153,333	1.3%
Thomas Industrier AS	153,333	1.3%
Nils Petter Tetlie	153,333	1.3%
Landsbanki Islands HF	153,144	1.3%
Nordea Bank Plc Finland	150,000	1.2%
Svenska Handelsbanken Stockholm	129,445	1.1%
Nordea Sec AB	119,445	1.0%
Nordnet Sec Bank AB	119,445	1.0%
Total for owners with at least a 1% ownership share	**11,532,279**	**95%**
Own shares	110,174	1%
Total other owners	498,871	4%
Total no. of shares registered	**12,141,324**	**100%**

The company acquired 353,000 own shares with a nominal value of NOK 1,765,000 as at 31 December 2007. In 2008, 242,826 of these were used as payment in connection with the acquisition of DFK Holding ApS. Of the total of 353,000 shares, 110,174 have been placed in a deposit account for Folkia AS and will be returned in 2009.
Refer also to the separate note on Events after the balance sheet date.

The Board is authorised to increase the share capital by up to NOK 30,353,310 for a period of two years from 20 December 2007.

Shares owned by directors and the CEO directly or through own companies:

Name	Post	Shares
Hördur Bender	Chairman of the Board	1,824,915
Leif Bernhard Bjørnstad	Director	175,150
Terje Finn Schøyen	Director	153,334
Stig Magnus Herbern	Director	25,000
Eilif Bjerke	Director	14,000
Nils Otto Nielsen	Director	11,600
Per Spångberg	CEO	119,445

Note 7 Equity

Equity contributed	Share capital	Share premium account	Total equity contributed
Equity contributed 01.01.08	**58,941,620**	**74,614,565**	**133,556,185**
Change in equity during the year:			
Sale of own shares	1,214,130		1,214,130
Equity contributed 31.12.08	**60,155,750**	**74,614,565**	**134,770,315**

Other equity	Other equity
Other equity 01.01.08	**-7,190,963**
Change in equity during the year:	

"Sale" of own shares	4,839,523
Loss for the year	-7,292,214
Other equity 31.12.08	**-9,643,654**

Note 8 Financial market risk

The company's activities entail various types of financial risks. In relation to the company's balance sheet as at 31 December 2008, these are:

- a currency risk and interest rate risk linked to a fixed rate borrowing in SEK (Sweden)
- a currency risk linked to forward exchange contracts
- a credit risk linked to the investment of excess liquidity (banks) and to microloan receivables
- an interest rate and credit risk linked to other lending and receivables
- a liquidity risk linked to servicing commitments that have been entered into

Market risk
(i) Currency risk
A currency risk arises on trading transactions, balance sheet assets and liabilities, forward exchange contracts and net investments in foreign companies. In order to manage the currency risk at Group level, Folkia AS has entered into forward exchange contracts. A currency risk arises when future trading transactions or balance sheet assets or liabilities are nominated in a currency that is not the entity's functional currency.

(iii) Risk linked to floating interest rates and fixed rates

Folkia AS deposits its excess liquidity in the bank at a floating interest rate that is regularly adjusted. The company has short-term lending linked to microloans with fixed charges. The cash flow from loans to customers is on the whole independent of changes in the market interest rate. Cash flows from other receivables have mainly been entered into at a floating interest rate and the company's incomes will depend on the market interest rate. The company has borrowed money at a fixed rate.

Credit risk
A credit risk arises in transactions involving bank deposits, lending and microloans to customers.
The company has maximum loan limits for microloans and standard credit rating requirements, and has developed its own scoring model for the credit rating of private customers. Loans are not given to existing customers until previous loans have been repaid.

Liquidity risk
The management of the liquidity risk entails maintaining a sufficient stock of liquid assets.

The management monitors the Group's liquidity reserve, which consists of a loan facility and cash equivalents, through revolving forecasts based on the estimated cash flow. This is normally carried out at Group level.

Note 9 Residual term to maturity as at 31 December

Assets	Up to 1 month	From 3-12 months	From 1 to 5 years	Without an agreed residual term to maturity	Total
Loans to and receivables from credit institutions*					
NOK				6,765,637	6,765,637
Loans to and receivables from customers					-
NOK	551,606				551,606
Ownership interests in other Group companies					-
foreign currency				28,904,993	28,904,993
Intangible assets					-
NOK				6,619,340	6,619,340
Other assets					-
NOK	3,697		48,346	77,768,462	77,820,505
foreign currency			665,410	12,242,747	12,908,157
Total assets	**555,303**		**713,756**	**132,301,179**	**133,570,238**
NOK	555,303		48,346	91,153,439	91,757,088

foreign currency	-	665,410	41,147,740	41,813,150
Equity and liabilities				
Other liabilities				-
NOK	2,359,115			2,359,115
foreign currency		421,750		6,248,592
Equity				-
NOK			125,126,661	125,126,661
Total equity and liabilities	**2,359,115**	**421,750**	**125,126,661**	**133,842,728**
NOK	2,359,115	421,750	125,126,661	127,594,136
foreign currency	-	421,750	-	6,248,592
	-			
Net liquidity exposure balance sheet items	1,803,812	292,006	7,174,518	-
	-	-		
NOK	1,803,812	373,404	-33,973,222	-35,837,048
foreign currency	-	243,660	41,147,740	35,837,048

* Relates to bank accounts in various banks. See also note 13 relating to secured debt.

Note 10 Period prior to the change in interest rate on 31 December

Assets	Up to 1 month	From 1-3 months	Items without interest rate exposure	Total
Loans to and receivables from credit institutions				
NOK	6,765,637			6,765,637
Loans to and receivables from customers				-
NOK			551,606	551,606
Ownership interests in other Group companies				-
foreign currency			28,904,993	28,904,993
Intangible assets				-
NOK			6,619,340	6,619,340
Other assets				-
NOK		77,768,462	52,043	77,820,505
foreign currency			13,180,647	13,180,647
Total assets	**6,765,637**	**77,768,462**	**49,308,629**	**133,842,728**
NOK	6,765,637	77,768,462	7,222,989	91,757,088
foreign currency	-	-	42,085,640	42,085,640

Equity and liabilities				
Other liabilities				
NOK			8,294,317	8,294,317
foreign currency		421,750		421,750
Equity				
NOK			125,126,661	125,126,661
Total equity and liabilities		**421,750**	**133,420,978**	**133,842,728**
NOK		0	133,420,978	133,420,978
foreign currency		421,750		421,750
Net liquidity exposure in balance sheet items	**6,765,637**	**77,346,712**	**-84,112,349**	**-**
NOK	6,765,637	77,768,462	-126,197,989	-41,663,890
foreign currency		-421,750	42,085,640	41,663,890

Note 11 Currency positions 31 December

Currency	Balance sheet *Assets* total	*Liabilities* total	Net position
NOK	93,444,988	127,594,135	-34,149,147
SEK	28,904,993	421,750	28,483,243
DKK	7,149,454		7,149,454
EUR	4,343,293		
SEK forward exchange contract		4,490,410	-4,490,410
DKK forward exchange contract		1,336,433	-1,336,433
Total	133,842,728	133,842,728	-4,343,293

The forward exchange contracts are settled in NOK. The above amounts show the fair value in NOK of the forward exchange contracts as at 31 December 2008, divided into the currencies to which Folkia is exposed in the contracts.

Note 12 Capital adequacy 31 December

Equity and subordinated loan capital

	2008	2007
Share capital	60,706,620	60,706,620
Other equity	64,420,041	65,658,602
Equity	125,126,661	126,365,222
Deductions:		
Intangible assets	-1,595,000	-
Deferred tax assets	-5,024,340	-2,232,980
Core capital	**118,507,321**	**124,132,242**
Net equity and subordinated loan capital	118,507,321	124,132,242
Minimum requirement equity and subordinated loan capital		
Credit risk		
Of which:		
Institutions	1,248,640	1,309,496
Mass market commitments	96,400	-
Commitments that have fallen due	126,640	-
Other commitments	3,476,720	2,371,106
Total minimum requirement credit risk	**9,942,960**	**3,680,602**
Settlement risk	0	0
Currency risk	7,512,720	0
Total minimum requirement market risk	**7,512,720**	**0**
Operational risk	15,024,620	2,563,500
Minimum requirement equity and subordinated loan capital	**15,024,620**	**6,244,102**
Capital adequacy		
Capital adequacy ratio	63.1%	159.0%
Core capital adequacy ratio	63.1%	159.0%

The capital adequacy for 2008 has been calculated in accordance with new capital requirement regulations.

Note 13 Secured debt and guarantees, etc.

Book value of assets provided as security for book liabilities	2008	2007
Bank deposits – cash deposits	5,095,391	-
Total	**5,095,391**	**-**

Folkia AS has entered into an agreement regarding an uncommitted framework for forward exchange trading in return for security in a cash deposit. The cash deposit is to be NOK 5 million, and the prevailing balance has a charge on it in favour of DnB NOR Bank ASA.

Folkia AS has entered into a lease in Sweden on behalf of Folkia AB. This lease expires on 30 September 2011. The annual rent is NOK 1,404,000.

Note 14 Accounts receivable (microloans)

	2008	2007
Microloans	1,606,606	-
Impairment for probable losses on microloans	-1,055,000	-
Net microloans	**551,606**	**-**

The fallen-due dates of the microloans were as follows as at 31 December 2008:
These loans are to private customers. For a more detailed description of the credit risk, refer to the note on financial risk.

	2008	2007
Not fallen due	226,838	**-**
Fallen due 1-30 days ago	130,950	**-**
Fallen due 31-60 days ago	90,050	**-**
Fallen due 61-90 days ago	280,328	**-**
Fallen due more than 90 days ago	878,440	**-**
	1,606,606	**-**

As at 31 December 2008, the provisions for this were NOK 1,055,000. There were no final realised losses in 2008.

The movements in the provisions for the impairment of accounts receivable are as follows:

	2008	2007
Specified loan loss provisions as at 1 January		
Ascertained loss during the year for which provisions have previously been made	-	-
Increased specified loan loss provisions during the year	-	-
New specified provisions during the year	1,055,000	-
Write-back of specified loan loss provisions during the period	-	-
Specified loan loss provisions as at 31 December	**1,055,000**	**-**

	2008	2007
Unspecified loan loss provisions as at 1.1	-	-
Unspecified loan loss provisions during the period	-	-
Unspecified loan loss provisions as at 31.12.08	0	**-**

	2008	2007
The change in specified loan loss provisions during the period	1,055,000	-
The change in unspecified loan loss provisions during the period	-	-
The ascertained losses during the period for which specified loan loss provisions have been made in previous years	-	-
The ascertained losses during the period for which no specified loan loss provisions have been made in previous years	-	-
The inclusion of previous periods' ascertained losses during the period	-	-

The loss costs for the period	**1,055,000**	**-**

The amount recognised in the provisions account is written off when there is no expectation of recovering additional cash. The maximum credit risk exposure on the reporting date is the fair value of the accounts receivable stated above. The company has no charge granted as security.

15 Other receivables

	2008	2007
Loans to Group companies	66,108,073	14,367,144
Intercompany accounts with Group companies	272,490	
Loans to Dansk Finansieringskompagni ApS (DFK)	11,660,389	2,001,563
Pre-paid investment in DFK, including capitalised acquisition costs	7,149,454	-
Capitalised acquisition costs Monetti Oy	4,343,293	-
Pre-paid costs and deposits	717,453	655,263
Accruals	-	78,562
Other receivables	750,000	-
Total other receivables	**91,001,152**	**17,102,532**

Other receivables do not contain impaired assets.

Loans to Group companies are used to finance the operations of Folkia AB. The loans have no agreed term to maturity, the interest rate is 8% for 2008. The balance includes accrued interest.

Loans have been given to DFK in connection with the acquisition of this company. The loans have no agreed term to maturity, the interest rate is 10% for 2008 and the loan agreements contain a contractual clause stating that the borrower cannot provide the loan portfolio, based on this liquidity, as security to a third party. The balance includes accrued interest.

The pre-paid investment in DFK is NOK 7,149,454. Folkia has acquired all the shares in DFK in accordance with a contract entered into in December 2007. The final takeover did not take place until January 2009. Refer to the separate note on Events after the balance sheet date.

Capitalised acquisition costs equal NOK 4,343,293. These relate to the acquisition of the Monetti Oy subsidiary (Finland/Estonia), with accounting effect for the Group (closing) in January 2009. Refer to the separate note on Events after the balance sheet date.

Note 16 Tax

The tax payable for the year is calculated as follows:	**2008**	**2007**
Tax payable	-	-
Change in deferred tax assets	2,791,360	2,232,979
Tax effect of share issue costs recognised in the share premium account	-	-1,581,101
Tax on the loss made on ordinary operations	2,791,360	651,879

Reconciliation from the nominal to the actual tax rate

	2008	2007
Loss for the year before tax	-10,083,574	-2,388,652
Estimated income tax according to the nominal tax rate	-2,823,401	-668,823
The tax effect of the following items:		
The loss for the year without deferred tax assets		
Non-deductible expenses	32,042	16,944
Tax	-2,791,360	-651,879
Effective tax rate	27.7%	27.3%

The size of the deferred tax assets linked to items recognised directly in equity is:

	2008	2007
	1,581,101	1,581,101

Specification of the tax effect of temporary differences and losses carried forward:

	2008		2007	
	Benefit	**Obligation**	**Benefit**	**Obligation**
Financial derivatives	1,631,516	-	-	-
Receivables	295,400	-	-	-
Losses carried forward	3,097,424	-	2,232,980	-
Total	**5,024,340**	**-**	**2,232,980**	**-**
Net deferred tax assets in the balance sheet	**5,024,340**		**2,232,980**	

The deferred tax assets are stated on the basis of future incomes.

Note 17 Other operating expenses

Specification of other operating expenses	**2008**	**2007**
Fees services/external advisors	5,481,870	2,816,241
Leasing of premises	630,067	-
Other costs	1,519,383	194,110
Total	**7,631,320**	**3,010,351**

The fees relate to financial and legal assistance in connection with acquisitions, etc, audits and accounting.
The leasing of premises relates to the leasing of the Regus Business Centre.

Note 18 Other liabilities

Specification of other liabilities	**2008**	**2007**
Foreign currency loan SEK	432,096	-
Accounts payable	951,631	2,120,226
Govt. charges and special taxes	864,337	80,133
Salaries owed, etc	641,160	-
Total	**2,889,224**	**2,200,359**

The foreign currency loan in SEK is a framework loan of SEK 500,000 from Frick & Frick AB at a fixed rate of 10%. This loan is unsecured and falls due on 31 January 2010.

Note 19 Permits and conditions

Folkia AS has been given permits by Kredittilsynet (the Financial Supervisory Authority of Norway) to acquire all the shares in

- DFK Holding ApS – Denmark (8 November 2008)
- Monetti Oy – Finland (29 October 2008)
- Folkia AB – Sweden (14 November 2008)

For DFK Holding ApS, permission to enter into a cooperation agreement had been given in advance (25 April 2008).

All the permits assume that, within six months, an application to establish a branch office in the respective countries will be submitted and that the operations will be transferred to the respective branch offices.

Note 20 Events after the balance sheet date

Business combination Dansk Finansieringskompagni Aps

In accordance with the Asset and Share Purchase Agreement dated 11 December 2007, Folkia AS acquired all the shares in Dansk Finansieringskompagni ApS (through DKF Holding ApS). Dansk Finansieringskompagni ApS carries out similar activities in Denmark. According to the agreement, the payment was a cash payment plus shares equal to 2% of the share capital of Folkia AS. The agreement entailed the payment of 242,826 shares in Folkia AS. The agreement also contained a condition regarding an adjustment of the purchase price depending on the future results achieved, equivalent to an additional 3.5% of the share capital in Folkia AS. Before entering into the agreement, Folkia AS had acquired own shares in the market. These shares were transferred to the seller as advance payment of the purchase price in April 2008.

Negotiations have later taken place regarding the interpretation of the clause relating to the adjustment of the purchase price. Final agreement was not reached until January 2009. The prerequisite for adjusting the purchase price was not met and own shares that had been provided as security were returned in 2008. The shares in Dansk Finansieringskompagni are registered as having been transferred to Folkia AS on 21 January 2009.

In connection with this, the parties also agreed that the prerequisites for the supplementary agreement regarding the adjustment of the purchase price if certain results were achieved (earn out) had not been met. 110,174 own shares that were deposited as security for the settlement of the supplementary agreement have been returned to Folkia AS. Own shares have been deducted from the share capital/equity.

The acquisition required the approval of the authorities and the final transfer of the shares was agreed to be conditional on such approval. Final approval was given in a letter from Kredittilsynet (the Financial Supervisory Authority of Norway) on 21 October 2008.

Business combination Monetti Oy

In accordance with the Share Purchase Agreement dated 31 July 2008, Folkia AS acquired all the shares in Monetti Oy. Monetti Oy carries out similar operations in Finland and Estonia. A cash payment of NOK 2,632,796 has been made. In addition, a private placement aimed at the shareholders in Monetti Oy has been carried out. This gives the shareholders a shareholding of 30.25% in Folkia AS as at 31 January 2009.
The closing was carried out in January 2009 by the shares in Monetti Oy being transferred to Folkia AS and the share capital in Folkia AS being increased by NOK 26,327,960, equivalent to NOK 5.00 per share. Following the transaction, the former shareholders of Monetti Oy own 30.25% of the shares in Folkia AS.

Consolidated income statement

	Note	1 January – 31 December 2008	11 December – 31 December 2007
Interest and similar income on loans to and receivables due from customers		**60 140 279**	**1 653 194**
Fees for arranging loans		**4 529 572**	**60 349**
Other income			**28 970**
Total interest income and similar income		**64 669 851**	**1 742 513**
Salaries and administrative expenses	21	**13 156 064**	**220 129**
Ordinary depreciation/amortisation	5/6	**2 365 108**	**73 943**
Losses on loans	10	**10 967 501**	**200 475**
Other operating expenses	22	**45 587 597**	**4 431 420**
Impairment of shares available for sale	8	**464 280**	
Total operating expenses		**72 540 550**	**4 925 967**
Operating loss		**-7 870 699**	**-3 183 454**
Financial income	23	**1 875 217**	**593 481**
Financial expenses	23	**-181 653**	**-130 332**
Net foreign exchange gain/(loss)	20	**3 526 133**	
Change in the fair value of financial derivatives	23	**- 5 826 843**	
Net financial items		**-607 146**	**463 149**
Loss before tax		**-8 477 845**	**-2 720 305**
Tax	24	**-2 913 004**	**-668 429**
Loss for the year		**-5 564 841**	**-2 051 876**

Consolidated balance sheet

	Note	31 December 2008	2007
ASSETS			
Fixed assets			
Tangible fixed assets	5	**2 419 151**	**116 912**
Software and scoring model	6	**6 261 266**	**5 259 996**
Trademarks/brands and licences	6	**8 348 487**	**8 336 000**
Customer relationships	6	**1 040 585**	**1 304 396**
Goodwill	6	**21 117 972**	**21 117 972**
Deferred tax assets	24	**5 024 340**	**2 232 980**
Capitalised costs relating to acquisitions 09	17	**5 439 095**	
Advance payment – acquisition of subsidiary	14	**6 053 652**	
Financial assets available for sale	8	**549 736**	**937 066**
Loans to employees and deposits	10	**724 925**	**344 119**
		56 979 209	**39 649 441**
Current assets			
Microloans and other receivables	7a, 7b, 10	**71 670 321**	**3 942 673**
Other loans	19	**11 660 389**	**2 001 563**
Pre-paid costs and deposits	10	**3 615 770**	**1 515 913**
Income accrued but not received	10	**2 923 788**	**4 635 118**
Cash and cash equivalents	7a, 7b	**13 416 455**	**84 371 916**
		103 286 724	**96 467 182**
Total assets		**160 265 932**	**136 116 624**

	Note	31 December 2008	2007
EQUITY			
Equity allocated to the company's shareholders			
Share capital	12	**60 706 620**	**60 706 620**
Own shares	12	**-550 870**	**- 1 765 000**
Share premium	12	**73 999 897**	**69 160 375**
Retained earnings	13	**-7 616 717**	**-2 051 876**
Total equity		**126 538 930**	**126 050 119**
LIABILITIES			
Long-term liabilities			
Deferred tax liability	24	**2 735 846**	**2 857 490**
Loans	7a, 16	**421 750**	
		3 157 596	**2 857 490**
Current liabilities			
Accounts payable and other current liabilities	15	**2 977 912**	**7 209 015**
Income accrued but not received	15	**3 285 374**	
Accrued expenses	15	**3 104 109**	
Loans (credit facility)	7a, 16	**15 375 168**	
Derivatives	7a, 7b, 9	**5 826 843**	
		30 569 406	**7 209 015**
Total liabilities		**33 727 002**	**10 068 316**
Total equity and liabilities		**160 265 932**	**136 116 624**

Oslo, 17 mars 2009
Styret i Folkia AS

Hördur Bender (chairman)	Stig Magnus Herbern	Leif Bernhard Bjørnstad
Finn Terje Schøyen (vice-chairman)	Nils Otto Nielsen	Eilif Bjerke
Per Spångberg (general manager)		

Statement of changes in the Group's equity

	Note	Share capital	Share premium	Retained earnings	Total equity
Equity as at 2 January 2007					
Company established on 2 January 2007		1 000 000			1 000 000
Capital increase in cash I		75 000			75 000
Capital increase in cash II I		556 007	1 668 021		2 224 028
Contribution in kind		6 091 667	21 408 333		27 500 000
Capital increase in cash III		4 418 650	105 738 295		110 156 945
Share-issue costs – net of tax			-4 053 688		-4 053 687
Purchase of own shares		- 1 765 000	- 7 035 290		- 8 800 290
Bonus issue		48 565 296	- 48 565 296		
Loss for the year				-2 232 158	-2 051 877
Equity as at 31 December 2007		**58 941 620**	**69 160 375**	**- 2 232 158**	**126 050 119**
Registered share capital		60 706 620			
- own shares		- 1 765 000			
Equity as at 1 January 2008					
Sale of own shares		1 214 130	4 839 522		6 053 652
Loss for the year				-5 564 841	-5 564 841
Equity as at 31 December 2008		**60 155 750**	**73 999 897**	**-7 616 718**	**126 538 929**
Registered share capital		60 706 620			
- own shares		- 550 870			

Consolidated cash flow statement for the Group

	Note	1 January – 31 December 2008	2007
Cash flow from operations			
Loss before tax		**-8 477 845**	-2 720 305
Ordinary depreciation/amortisation		**2 365 108**	
Interest received		**-1 875 217**	
Interest paid		**181 653**	
Impairment of shares available for sale		**464 280**	
Foreign exchange effect shares available for sale		**-76 950**	
Foreign exchange effect consolidation		**-9 085**	331 649
Changes in accounts receivable		**-71 670 321**	-78 562
Changes in accounts payable		**-4 231 103**	1 808 533
Changes in intercompany balances/external financing			-17 023 970
Changes in other current receivables		**3 554 144**	
Changes in other current assets and other liability items		**6 390 484**	391 826
Net cash flow from operations		**-73 384 852**	-17 290 829
Cash flow from investing activities			
Investments in tangible fixed assets		**- 2 835 635**	0
Investments in intangible assets		**-2 573 572**	0
Capitalised costs relating to acquisitions		**-5 439 095**	
Advance payment – acquisition of subsidiary		**6 390 484**	
Net cash flow used for investing activities		**-4 457 818**	0
Cash flow from financing activities			
Issuance of ordinary shares			113 467 973
Incorporation and share-issue costs			- 5 646 785
Loans relating to the acquisition of of companies		**-9 658 826**	
Sale (purchase)/Purchase of own shares		**-6 390 484**	- 8 800 290
Costs of non-cash capital contributions			- 1 404 993
Long-term liabilities		**421 750**	
Interest received		**1 875 217**	
Interest paid		**-181 653**	
Change in credit facility		**15 375 168**	
Derivatives		**5 826 843**	
Changes in loans to employees/deposits		**-380 806**	
Net cash flow used for financing activities		**6 887 209**	97 615 905
Change in cash, cash equivalents		**-70 955 465**	80 325 076
Cash, cash equivalents,		**84 371 920**	4 046 840
Cash, cash equivalents as at 31 December		**13 416 455**	84 371 916

Notes to the consolidated financial statements

1 General information

Folkia AS (*the company*) and its subsidiary (together called the *Group*) offer simple, everyday financial services at fixed prices and on conditions which are clear to customers. Folkia offers short-term microloans with 30-day terms and arranges “Folklåns” with terms ranging from one to three years.

Folkia acquired Folkia AB in December 2007, and has in January 2009 finalised the acquisition of Dansk Finansieringskompagni ApS and Monetti Oy, all of which have similar operations. Folkia is now established in Norway, Sweden, Denmark, Finland and Estonia.

The company is a private limited company registered and resident in Norway, with its head office at C J Hambros plass 2C in Oslo.

The company had one subsidiary in 2008 (will be converted into a branch in 2009), Folkia AB, Medborgarplatsen 3, 118 26 Stockholm, Sweden. This company is fully owned.

In January 2009, the company bought all of the share capital in the following companies (see also note 28): Dansk Finansieringskompagni, Overgaden neden Vandet 19, 1414 Copenhagen K., Denmark
MONETTI, Mekaanikonkatu 7 c, 00880 Helsinki / Peterburi tee 2F, 11415 Tallinn
Registrikood 110149

The consolidated financial statements were approved by the company’s board on 17 March 2009.

2 Summary of significant accounting policies

Below is a statement of the most significant accounting policies applied when preparing the consolidated financial statements. These policies were applied in the same way in all the periods that are presented.

2.1 Basis of preparation

Folkia AS’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU.

The consolidated financial statements have been prepared under the historical cost convention with the following modifications: fair value adjustments of financial assets that are available for sale and financial assets and liabilities (including financial derivatives) valued at fair value through profit and loss.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates The application of the company’s accounting policies also requires the management to exercise its judgements in the process of applying the group’s accounting policies Areas that to a large extent contain such discretionary assessments or a high level of complexity or areas in which assumptions and estimates are important to the consolidated financial statements aredisclosed in note 4.

Comparable figures for 2007 are shown based on IFRS. The Group was established in December 2007. The consolidated financial statements for 2007 were presented on the basis of NGAAP. No differences between NGAAP and IFRS that affect the equity as at 31 December 2007 have been identified apart from that which follows from a provisional allocation of the added value from the acquisition of Folkia AB and the amortisation of goodwill for half a month. The implementation effect resulting from goodwill not being amortised under IFRS is NOK 237 578.

The effect on the amortisation of intangible assets resulting from the final allocation of added value is NOK 72 855.

Comparable figures for 2007 have been adjusted in accordance with the updated allocation of added value and reversal of goodwill amortisation. This has a net positive effect on the equity of NOK 180 282 compared to the financial statements for 2007 which were presented in accordance with NGAAP.

Amendments to IFRS – standards applied

Standards and interpretations that are relevant for 2008
No new international financial reporting standards are in effect for the 2008 financial year. Some interpretations published by IFRIC (International Financial Reporting Interpretations Committee) apply for the 2008 financial year (IFRIC 11, IFRIC 12 and IFRIC 14). None of these are relevant to Folkia.

Standards that have been amended and allow early application
The following standards and interpretations had been adopted by IASB when the financial statements were presented, but are not in effect for the 2008 financial year. Not all of them will be relevant to Folkia.

Standard/ interpretation	**Title**	**Relevant for accounting periods that begin on or after**
IFRS 8	*Operating Segments*	1 January 2009
IAS 23 amendment	*Borrowing Costs*	1 January 2009
IAS 1 amendment	*Presentation of Financial Statements*	1 January 2009
IFRS 2 amendment	*Share-based payment: Vesting Conditions and Cancellations*	1 January 2009
IAS 32 and IAS 1 amendment	*Puttable Financial Instruments and Obligations Arising on Liquidation*	1 January 2009
IFRS 1 and IAS 27 amendment	*Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate*	1 January 2009
IFRS 1 revised*	*First Time Adoption of IFRSs*	1 January 2009
IAS 39 amendment*	*Financial Instruments: Recognition and Measurement: Eligible Hedged items*	1 July 2009
IAS 39 and IFRS 7 amendment	*Reclassification of Financial Assets*	1 July 2008
IAS 39 and IFRS 7 amendment*	*Reclassification of Financial Assets: Effective Date and Transition*	1 July 2008
IFRS 3 revised*	*Business Combination*	1 July 2009
IAS 27 amendment*	*Consolidated and Separate Financial Statements*	1 July 2009
Various	*Improvements to IFRSs*	1 January 2009
IFRIC 13	*Customer Loyalty Programmes*	1 July 2008
IFRIC 15*	*Agreements for the Construction of Real Estate*	1 January 2009
IFRIC 16*	*Hedges of a Net Investment in a Foreign Operation*	1. October 2008
IFRIC 17*	*Distributions of Non-Cash Assets to Owners*	1 July 2009
IFRIC 18*	*Transfers of Assets from Customers*	1 July 2009

* these standards and interpretations have not been approved by the EU when the financial statements are presented.

Segment reporting requirements are regulated in IAS 14. Companies whose shares are not listed in regulated markets are not required to provide segment reporting pursuant to IAS 14. Folkia has thus chosen not to present full segment reporting. IFRS 8 *Operating segments* replaces IAS 14 *Segment reporting* for accounting periods which start on or after 1 January 2009. The Group has thus not chosen the early implementation of IFRS 8.
The Board has discussed but not decided on an option programme for managers, and has thus no reporting according to either IFRS 2 or IFRS 2 (amended) (*Share-based payment).*
Information on the reporting according to IFRS 3 Business Combinations is provided in note 26.
IFRS 3 has been amended with effect for accounting periods that start on or after 1 July 2009. Following these amendments, acquisition costs, amongst other things, will have to be charged to expenses. Folkia has not applied the amended standard.
The company has not finished assessing the effect of implementing these standards and interpretations in Folkia's financial statements.

2.2 Consolidation

Subsidiaries
Subsidiaries are all entities in which the Group has the power to govern the entity's financial and operational strategy through owning more than half of the voting capital. Subsidiaries are consolidated from the date when control is transferred to the Group and are excluded from consolidation when control ceases.
The purchase method of accounting is used when recognising the acquisition of subsidiaries. The original cost in the case of an acquisition is measured as the fair value of assets given, equity instruments issued, liabilities incurred or assumed at the date of exchange plus costs directily attributed to the acquisition itself.

Identifiable purchased assets, debt that has been taken over and contingent commitments that have been acquired or incurred are recognised in the accounts at their fair value on the acquisition date. The exess cost of the acquisition over the fair value of identifiable net assets in the subsidiary is recognised in the balance sheet as goodwill.

Intercompany transactions, balances and unrealised profits have been eliminated.

2.3 Segment reporting

The company's shares are not traded publicly and the company is not in the process of issuing securities in public securities markets. The Group is thus not subject to any requirement of separate segment reporting.

The operations are linked only to one operational segment, namely lending operations which consist of providing short-term Microloans (*Mikrolån*) and arranging more long-term Folklåns. However, the Group does have geographical segments, with operations in Norway and Sweden and, as from 2009, in Denmark, Finland and Estonia.

2.4 Translation of foreign currencies

(a) *Functional currency and presentation currency*
The financial statements of the individual entities in the Group are measured using the currency which is mainly used in the economic area in which the entity operates (functional currency). The consolidated financial statements are presented in NOK, which is both the functional currency and presentation currency of the parent company.

(b) *Transactions and balances*
Transactions in foreign currencies are translated into the functional currency using the transaction exchange rate. Foreign exchange gains and losses which arise on the payment of such transactions and when monetary items (assets and liabilities) in foreign currencies are translated at the year-end at the balance sheet date exchange rate are recognised in the income statement.

(c) *Group companies*
The income statement and balance sheet for Group entities (none with hyperinflation) whose functional currency differs from their presentation currency are translated as follows:
(a) the balance sheet is translated at the closing rate on the balance sheet date
(b) the income statement is translated at the average rate (if the average does not provide a reasonable estimate of the accumulated effects of using the transaction rate, then the transaction rate is used)
(c) translation differences are recognised directly in equity and specified separately

Goodwill and fair value adjustments to assets and liabilities when a foreign entity is acquired are treated as assets and liabilities in the acquired entity and translated at the balance-sheet date exchange rate.

2.5 Tangible fixed assets

Tangible fixed assets are recognised in the accounts at their original cost minus depreciation (carrying amount). The original cost includes costs directly linked to the acquisition of the asset.

Fixed assets are depreciated according to the straight-line method, so that the fixed assets' original cost is depreciated to the residual value over the estimated useful life, which is:

Vehicles	3-5 years
Fixtures, fittings and equipment	3-8 years

The fixed assets useful life and residual value are assessed on each balance sheet date and changed if necessary. When a fixed asset's carrying amount is higher than the estimated recoverable amount, the value is written down to the recoverable amount. Gains and losses on disposals are recognised net in the income statement under other (losses)/gains, and comprise the difference between the sales price and carrying amount.

2.6 Intangible assets

(a) *Goodwill*

Goodwill is the difference between the original cost of the purchase of a company and the fair value of the Group's share of the net identifiable assets in the company on the acquisition date. When a subsidiary is acquired, the goodwill is classified as an intangible asset. Goodwill is tested annually for impairment and is recognised in the balance sheet at its original cost minus impairments. Goodwill impairments are not reversed. Gains or losses on the sale of a company include the carrying amount of the goodwill relating to the sold company.

For the later testing of the need for goodwill impairment, this is allocated to relevant cash generating units. The amount is allocated to the cash generating units or groups of cash generating units that are expected to benefit from the acquisition in which the goodwill arose, identified according to operating segments.

(b) *Trademarks (brands) and licences*

Trademarks/brands and licences that have been acquired separately are recognised in the accounts at their historical cost. Trademarks/brands and licences that have been acquired through a business combination are recognised in the balance sheet at their fair value on the takeover date. Trademarks/brands and licences have a limited useful life and are recognised in the balance sheet at their original cost minus accumulated amortisation. Trademarks/brands and licences are amortised according to the straight-line method over their estimated useful life (15-20 years). Trademarks with indefinite useful lives are not amortised, but tested for impairment annually.

Software licences that have been acquired are recognised in the balance sheet at the original cost (including the costs of making the programs operative) of the specific program. These costs are amortised over the estimated useful life (3 to 5 years).

(c) *Contractually regulated customer relationships*

Contractually regulated customer relationships acquired through business combinations are recognised in the balance sheet at their fair value on the acquisition date. The contractually regulated customer relationships have a limited useful life and are recognised in the balance sheet at their original cost minus accumulated amortisation. Amortisation takes place in a straight line over the estimated life of the customer relationship.

(d) *Software*

The costs of maintaining software are charged to expenses as they are incurred. Development expenses that are directly attributable to the design and testing of identifiable and unique software that is controlled by the Group are recognised in the balance sheet as intangible assets provided the following criteria are met:

- it is technically possible to complete the software so that it will be available for use;
- the management intends to complete the software and to use or sell it;
- it is possible to use or sell the software;

- it can be shown how the software will generate probable future economic benefits;
- sufficient technical, financial or other resources are available for completing and using or sell the software; and
- the costs can be measured reliably.

Other development expenditures which do not meet these criteria are charged to expenses as they are incurred. Development expenses that have originally been charged to expenses cannot be recognised in the balance sheet as an asset at a later date.
Software that is recognised in the balance sheet is amortised in a straight line over its estimated useful life (max. of five years).

2.7 Impairment of non-financial assets

Intangible assets with an indefinite useful life, such as goodwill, are not amortised and are assessed each year for any impairment. Tangible fixed assets and intangible assets that are depreciated are reviewed for impairment when there are indications that future earnings cannot justify the asset's carrying amount.
Impairment is recognised in the income statement as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. When assessing impairment, the fixed assets are grouped at the lowest level where it is possible to identify independent cash flows (cash generating units). Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal at each reporting date.
Goodwill and intangible assets with an indefinite useful life are allocated to individual cash generating units to test the impairment, which in this context refers to the company in Sweden (Folkia AB). Refer to the note on Business Combinations.

The company in Denmark (Dansk Finansieringskompagni ApS) are consolidated from January 2009. This company has nonetheless been given capital in the form of a loan from Folkia since the contract was signed in December 2007. The assets in DFK have also been tested for impairment. Refer to the note on Events after the Balance Sheet Date.

The recoverable amount is determined on the basis of an estimated value in use. The starting point is projected cash flows based on a budget and forecasts approved by the management for a five-year period. Discount rates before tax of 14.4 per cent (Folkia) and 16 per cent (DFK) have been used.

Cash flows in excess of the five-year period are extrapolated using a growth rate of 2.5 per cent. This growth rate does not exceed the long-term average growth rate in the markets in which Folkia operates.
The management does not believe that any changes in the assumptions on which the calculation of recoverable amounts is based will lead to the accounting value exceeding the recoverable amount.

2.8 Non current (or disposal groups) held for sale

Non current assets (or disposal groups) are classified as held for sale when their carrying amount will mainly be realised through a sales transaction and a sale is considered to be highly probable. They are measured at the lower of the carrying amount and fair value less costs to sell if the carrying amount is mainly to be realised through a sales transaction and not continued usage.

2.9 Financial assets

2.9.1 Classification

The Group classifies financial assets in the following categories:

- At fair value through profit and loss – applies to forward exchange contracts (do not qualify for hedge accounting)
- Loans and receivables – applies to microloans and loans to Dansk Finansieringskompagni ApS (DFK)
- Assets that are available for sale – applies to a share investment in Xtracom

The classification depends on the purpose of acquiring the asset. The management classifies financial assets when they are acquired.

(a) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading purposes. A financial asset is classified in this category if it has primarily been acquired with the aim of providing a profit from short-term price fluctuations. Derivatives are classified as held for trading purposes unless they are part of a hedge. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or definable payments that are not traded in an active market. They are classified as current assets unless they fall due more than 12 months after the balance sheet date, in which case they are classified as fixed assets. Loans and receivables are classified as Microloans, “other receivables” and “other loans” in the balance sheet.

(c) *Financial assets that are available for sale*

Financial assets that are available for sale are non-derivative financial assets that Folkia chooses to place in this category or which are not classified in any other category. They are included in the fixed assets unless the management intends to sell the investment within 12 months after the balance sheet date.

2.9.2 Recognition and measurement

Loans and receivables are recognised in the accounts at their amortised cost. Loans and receivables are very short-term and charges are taken to income over their term to maturity (simplified effective interest rate method).

Financial assets that are available for sale and financial assets at fair value through profit and loss are valued at their fair value after initial recognition in the balance sheet. When securities that are classified as available for sale are sold or written down, the total adjustment in value that has been recognised in equity is recognised in the income statement as a gain or loss on investments in securities.

The effective interest on interest-bearing instruments, calculated using the effective interest rate method, is recognised in the income statement under other incomes.

On each balance sheet date, the Group assesses whether there are objective indicators that indicate a fall in the value of individual assets or groups of financial assets. A fall in the value of shares and equivalent instruments recognised in the income statement is not reversed through the income statement. The impairment test for accounts receivable is described in a separate note.

Derivatives are recognised in the balance sheet at their fair value on the date when the derivative contract is entered into and thereafter continuously at their fair value.

2.10 Derivatives

Derivatives do not qualify for hedge accounting. Derivatives are recognised in the balance sheet at their fair value on the date when the derivatives contract is entered into and thereafter continuously at their fair value. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement as changes in financial derivatives.

2.11 Accounts receivable– microloans

Upon initial recognition in the balance sheet, short-term loans are measured at their fair value. When measured later on, microloans are valued at an amortised cost determined using the effective interest rate method (simplified), minus provisions for incurred losses. The provisions for losses are recognised in the accounts based on separate, individual assessments.
20% for loans with an agreed repayment schedule - Sweden
35% for loans that have been sent for debt-collection – Sweden
60% for loans sent to debt-collection – Norway
65% for loans with long-term follow-up - Sweden

2.12 Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits, other short-term, easily sold investments with a maximum original term of three months and amounts drawn on an overdraft facility. In the balance sheet, overdrafts are included in loans under current liabilities.

2.13 Share capital and share premium

Ordinary shares are classified as equity.

Expenses which are linked directly to the issuance of new shares or options with a tax deduction are recognised as a reduction in the payment received in the equity.

When own shares are bought, the payment, including any transaction costs minus tax, is recognised as a reduction in the equity (allocated to the company's shareholders) until the shares are annulled or reissued. If own shares are later reissued, the payment, minus direct transaction costs and associated tax effects, is recognised as an increase in the equity allocated to the company's shareholders.

2.14 Accounts payable

Accounts payable are measured at their fair value when initially recognised in the balance sheet. When recognised later on, accounts payable are valued at their nominal value (amortised cost).

2.15 Loans

A loan is recognised in the accounts at its fair value when it is paid out. No set-up costs of any importance have been found. In subsequent periods, the loan is recognised at amortised cost.
Loans are classified as current liabilities unless there is an unconditional right to postpone the payment of the debt for more than 12 months after the balance sheet date.
Should any convertible loan be issued in which a fixed amount can be converted into a fixed number of shares, the fair value of the debt part is calculated by using the market interest rate for a corresponding non-convertible loan. This amount is classified as debt and recognised at its amortised cost until it expires due to conversion or falls due on the loan's maturity date. The remainder of the payment is allocated to the conversion option and included in the equity, minus tax.

2.16 Tax payable and deferred tax

The tax for a period consists of the tax payable and deferred tax. Tax is recognised in the income statement apart from when it relates to entries that have been recognised directly in equity. If this is the case, the tax is also recognised directly in equity.

The tax is calculated in accordance with the tax laws and regulations that have been adopted, or on the whole adopted, by the tax authorities on the balance sheet date. It is the body of laws in the countries where the Group's subsidiaries or associates operate and generate taxable income that applies to the calculation of the taxable income. The management evaluates the Group's tax positions for each period with regard to situations where the prevailing tax laws are the subject of interpretation. Provisions for estimated tax payments are made based on the management's assessment.

Estimated deferred tax on all the temporary differences between the values of assets and liabilities for tax purposes and consolidated financial statement purposes has been recognised in the income statement using the debt method. If deferred tax arises on the initial balance sheet recognition of a liability or asset in a transaction that is not a Business Combination and which on the transaction date does not affect the results for accounting purposes or the results for tax purposes, it is not recognised in the balance sheet. Deferred tax is determined using tax rates and tax laws that have been adopted or on the whole adopted on the balance sheet date and which are assumed to be applicable when the deferred tax asset is realised or the deferred tax is paid.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable income will exist and that the temporary differences can be deducted from this income.

Deferred tax is calculated on temporary differences from investments in subsidiaries and associates, apart from when the Group has control over the date when the temporary differences will be reversed and it is probable that they will not be reversed in the foreseeable future.

2.17 Pension commitments, bonus schemes and other employee compensation schemes

(a) *Pension commitments*
The Group has no pension schemes in the form of defined benefit plans. Nor are there any formal contribution plans apart from the fact that the Group has, as part of the employees' salary contracts, undertaken to set aside 10% of the employees' salaries for future pension benefits or as contributions to pension schemes.

(b) *Other commitments linked to former employees*
The Group has no commitments linked to former employees.

(c) *Share-based remuneration*
The Group has not formalised any scheme involving share-based remuneration.

(d) *Severance pay*
None of the Group companies has separate severance pay schemes.

(d) *Profit sharing and bonus plans*
The Group has no pre-agreed profit-sharing schemes or bonus plans.

2.18 Provisions

Provisions are measured as the present value of estimated payments to redeem the liability. A discount rate before tax that reflects the current market situation and risk specific to the liability is used. Provisions for current liabilities are not discounted.

2.19 Revenue recognition

Incomes from arranging loans are valued at the fair value of the payment.

(a) *Sale of services*
The Group sells services in the form of arranging long-term loans (Folklåns), and the Group receives an arrangement fee in the form of a ”profit share” from the lender. This agreement means that commission is not paid until the lender has received interest and charges from the borrower. Thus, the income is not recognised until the commission has been finally accrued and paid. According to a contract with Svea Economy, Folkia has no credit risk linked to the loans which it arranges.

(b) Interest incomes / charges

Interest incomes/charges are recognised in the income statement proportionately over time in accordance with the effective interest rate method. When receivables are impaired, the receivable's carrying amount is reduced to the receivable's recoverable amount. The recoverable amount is the estimated future cash flow discounted by the original effective interest rate. After the impairment, interest incomes are recognised in the income statement based on the amortised cost and original effective interest rate.

2.20 Leases

Leases where a significant part of the risk and return linked to ownership continues to lie with the lessor are classified as operating leases. Rent paid on operating leases (minus any financial incentives provided by the lessor) is charged to expenses in a straight line over the lease period.

Leases linked to tangible fixed assets where the Group on the whole has all the risk and return linked to the ownership are classified as financial leases. The Group has no such leases.
Liabilities linked to operating leases are shown in the note on nominal value.

3 Financial risk management

3.1 Financial risk factors

The Group's activities involve various types of financial risk. In relation to the Group's balance sheet as at 31 December 2008, these are:

- foreign exchange risks and credit risks linked to microloans in SEK (Sweden)
- foreign exchange risks linked to intercompany balances
- interest rate risks linked to fixed-rate loans and lending facilities
- price risks linked to shares in OTC-listed companies (Xtracom)
- credit risks linked to the investment of excess liquidity (banks) and to receivables related to microloans
- liquidity risks linked to meeting agreed commitments

The Group's overall risk management plan focuses on the capital markets' unpredictability and tries to minimise the potential negative effects on the Group's financial results. The Group uses financial derivatives to hedge against certain risks.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to a foreign exchange risk in several currencies. Until the balance sheet date, this risk was relevant in relation to NOK and SEK, but after the acquisition of operations in 2009 the risk will also relate to DKK and Euro. Foreign exchange risks arise on balance-sheet assets and liabilities and net investments in foreign operations. The management has prepared guidelines which order Group companies to manage the foreign exchange risk linked to the companies' functional currencies. In order to manage the foreign exchange risk arising from balance-sheet assets and liabilities, the Group entities use forward exchange contracts. The foreign exchange risk arises when future trading transactions or balance-sheet assets or liabilities are nominated in a currency that is not the entity's functional currency.

If the NOK exchange rate against the SEK had been 10% weaker/stronger on 31 December 2008 and all the other variables were constant, this would have led to a higher/lower profit after tax of TNOK 396 (2007: TNOK 26) with a corresponding effect on the Group's equity.

(ii) Price risk

The Group is exposed to a price risk in relation to the share prices of investments classified in the balance sheet as available for sale.

The Group has invested in listed shares in Xtracom. This share investment has been recognised in the accounts at its fair value. This represents 3 166 566 shares, equal to 3.06 per cent + 63 331 shares in Xtracom Consulting (spin off) equivalent to 2.97 per cent.

(iii) Cash flow and fair value interest rate risk

The Group deposits its excess liquidity in the bank at a floating interest rate with periodic adjustments. The Group has short-term lending linked to microloans with fixed charges. The cash flow from operations is mainly independent of changes to the market interest rate.

The Group's interest rate risk is linked to a small fixed rate loan and a credit facility with agreed fixed conditions. The fixed rate loan exposes the Group to a fair value interest rate risk. The fair value risk linked to the fixed rate loan is not regarded as being significant. The credit facility conditions are closely linked to a contract relating to factoring and/or the arrangement of loans, and the conditions are renegotiated regularly.

Short-term changes to the market interest rate will not have any significant effect on the Group's results.

(b) *Credit risk*

A credit risk arises in transactions involving bank deposits and linked to microloans to customers. The Group has no credit risk linked to the arrangement of long-term loans (Folklåns).

As regards the investment of excess liquidity, banks with a rating which is better than A-1 are used.

The company has maximum lending limits for microloans and standard credit rating requirements, and has developed its own scoring model for the credit rating of private customers. Loans are not given to existing customers until previous loans have been repaid. Refer to the more detailed description in note 7b.

(c) *Liquidity risk*

Cautious management of the liquidity risk means maintaining a sufficient holding of liquid assets and marketable securities, having financing opportunities in the form of a sufficient number of secure drawing rights and having the ability to close market positions.

The management monitors the Group's liquidity reserve (which consists of a loan facility and cash equivalents) through revolving forecasts based on the estimated cash flow. This is normally carried out at Group level.

The table below specifies the Group's loans and derivative financial commitments with net settlement, classified in accordance with the maturity structure. The classification is in accordance with the maturity date stipulated in the contract. The amounts in the table are undiscounted contractual cash flows. Balances that fall due within 12 months are equivalent to the carrying amounts, since the effect of discounting is not significant.

31 December 2008	**< 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Credit facility Svea Economy	15 375 168*			
Fixed rate loan, Frick and Frick		421 750		
Accounts payable and other liabilities	15 194 238			
	30 569 406	421 750		

31 December 2007	**< 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Accounts payable and other liabilities	7 209 015			
	7 209 015			

The credit facility provided by Svea Economy has no specified maturity date, while the fixed rate loan from Frick and Frick matures on 31 January 2010.

3.2 Capital Risk Management

The Group's asset management goals are to ensure continued operations in order to ensure a return to the owners and other interested parties and to maintain an optimal capital structure to reduce the capital costs.

In order to improve the capital structure, the Group can adjust the level of dividend paid to shareholders, repay capital to the shareholders and issue new shares.

In the same way as for other companies in this industry, the asset management is monitored based on the level of gearing in the Group. The gearing is calculated by dividing the net liabilities by the total assets. The net liabilities are calculated by deducting cash and cash equivalents from the total liabilities (including loans, accounts payable and other liabilities, as shown in the balance sheet). The total assets are calculated as being the total equity, as shown in the balance sheet, plus the net liabilities.

The Group's strategy is to keep the gearing under 20%. The gearing as at 31 December 2008 and 31 December 2007 is shown below.

	2008	2007
Total loans	**30 991 156**	7 209 015
Minus cash and cash equivalents	13 416 455	84 371 916
Net loans	**17 574 701**	-77 162 901
Total equity	**126 538 930**	126 107 414
Total assets	**144 133 631**	48 944 513
Gearing	**12 %**	n/a

The increase in gearing in 2008 is to a large extent due to funding in December 2007.

3.3 Fair value estimation

Financial instruments comprise, in addition to bank deposits (cash equivalents):

- microloans to customers
- forward exchange contracts
- shares that are available for sale (Xtracom)
- fixed rate loans
- credit facility Svea Economy
- loans to Dansk Finansieringskompagni ApS

The fair value of financial instruments traded in active markets (such as securities that are available for sale or held for trading purposes) is based on the market price on the balance sheet date. The market price used for financial assets is the prevailing bid price; for financial liabilities the prevailing offer price is used. Shares in Xtracom were written down to their listed price at the year-end.

The fair value of forward exchange contracts in foreign currencies is calculated by using the prices in the forward exchange market on the balance sheet date.

The nominal value minus impairments to take account of losses incurred on accounts receivable and accounts payable is assumed to equal the items' fair value. The fair value of financial liabilities (which are calculated for note purposes) is estimated by discounting future contractually agreed cash flows using the Group's alternative market interest rate for corresponding financial instruments. The alternative interest rates for fixed rate loans and the credit facility are estimated to be unchanged.

Loans to Dansk Finansieringskompagni ApS (a wholly owned subsidiary that was consolidated as from January 09) have been given on market terms. An interest rate of 10 per cent has been agreed on. This is assumed to be equivalent to their fair value.

4 Critical accounting estimates and judgements

Estimates and discretionary assessments are evaluated regularly and are based on past experience and other factors, including expectations of future events that are regarded as being probable in the present circumstances.

The Group prepares estimates and makes suppositions/assumptions relating to the future. The accounting estimates that follow from this will by definition rarely fully agree with the final outcome. Estimates and suppositions/assumptions which represent a considerable risk of significant changes in the carrying amount of assets and liabilities during the next financial year are discussed below.

The Group has not identified crucial discretionary assessments when applying accounting principles.

Estimated impairment in goodwill and other assets

The Group conducts annual tests to assess the impairment of goodwill and intangible assets with unidentified lifetimes. The recoverable amount from cash-flow generating units is determined by calculating the value in use. These are calculations which require the use of estimates.

In addition, other assets are tested for impairment if there is any indication of a fall in value. Such an impairment test has been carried out in connection with the presentation in the accounts of the investment in /loans to DFK.

Provisions for losses on microloans.
The Group makes regular provisions for estimated loans on microloans. The company has developed and maintains a scoring model that is used as a basis for provisions. Provisions are made for groups of loans depending on whether they have fallen due, are being monitored, have been sent for debt-collection, etc.

Deferred tax assets
The Group has recognised deferred tax assets linked to losses in 2007 and 2008 in its balance sheet. Budgets and forecasts approved by the management show earnings which justify deferred tax assets being recognised in the balance sheet.

5 Tangible fixed assets

	Machinery, fixtures, fittings and vehicles	Total
2007 financial year		
Carrying amount 01.01.07	0	
Translation differences	0	
Additions due to the acquisition of companies	118 001	118 001
Additions		
Disposals		
Depreciation during the year	- 1 089	- 1 089
Carrying amount 31.12.07	**116 912**	**116 912**
As at 31 December 2007		
Original cost	118 001	118 001
Accumulated depreciation	1 089	1 089
Carrying amount 31.12.07	**116 912**	**116 912**
2008 financial year		
Carrying amount 01.01.08	116 912	116 912
Translation differences	8 117	8 117
Additions	2 835 634	2 835 634
Disposals		
Depreciation during the year	-541 512	-541 512
Carrying amount 31.12.08	**2 419 151**	**2 419 151**
As at 31 December 2008		
Original cost	2 953 635	2 953 635
Accumulated depreciation	- 542 601	- 542 601
Translation differences	8 117	8 117
Carrying amount 31.12.08	**2 419 151**	**2 419 151**

6 Intangible assets

	Goodwill	Software	Customer relationships	Trademarks/ brands and licences	Software development expenses	Total
2007 financial year						
Carrying amount 01.01.07	0		0	0	0	0
Translation differences						
Additions due to the acquisition of companies	21 117 972	4 836 260	1 319 052	8 336 000	481 935	36 091 219
Amortisation during the year		-53 736	-14 656		-4 462	-72 855
Carrying amount 31.12.07	21 117 972	4 782 524	1 304 396	8 336 000	477 473	36 018 364
As at 31 December 2007						
Original cost	21 117 972	4 836 260	1 319 052	8 336 000	481 935	36 091 219
Accumulated amortisation		-53 736	-14 656		-4 462	-72 855
Carrying amount 31.12.07	21 117 972	4 782 524	1 304 396	8 336 000	477 473	36 018 364
2008 financial year						
Carrying amount 01.01.08	21 117 972	4 782 524	1 304 396	8 336 000	477 472	36 018 364
Translation differences		314 429		12 487		326 916
Additions		2 246 626				2 246 626
Amortisation during the year		-1 479 463	-263 810		-80 323	-1 823 596
Carrying amount 31.12.08	21 117 972	5 864	1 040 585	8 348 487	397 150	36 768 310
As at 31 December 2008						
Original cost	21 117 972	7 397	1 319 052	8 348 487		38 664 761
Accumulated amortisation		-1 533 199	-278 467		-84 785	-1 896 451
Carrying amount 31.12.08	21 117 972	5 864 116	1 040 585	8 348 487	397 150	36 768 310

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-flow generating units that are identified as the operations of the former Folkia AB. An impairment test has been carried out in accordance with the prerequisites stated in note 2.7.

7a Financial instruments by category

	Lending and receivables	Assets measured at fair value through profit and loss (held for trading)	Available for sale	Total
As at 31 December 2008				
Assets				
Financial assets available for sale			549 736	549 736
Accounts receivable and other receivables (long-term)	724 925			724 925
Microloans and other receivables, excl. advance payments and deposits (short-term)	71 670 321			71 670 321
Loans to DFK Holding	11 660 389			11 660 389
Cash and cash equivalents	13 416 455			13 416 455
Total	96 747 165		549 736	97 286 801

	Liabilities measured at fair value through profit and loss (held for trading)	Other financial liabilities at amortised cost	Total
Liabilities			
Loans (long-term)		- 421 750	- 421 750
Loans (credit facility)		- 15 375 168	- 15 375 168
Derivatives	- 5 826 843		- 5 826 843
Accounts payable and other liabilities, excl. mandatory liabilities		-9 367 395	-9 367 395
Total	-5 826 843	-25 164 313	-30 991 156

	Lending and receivables	Assets measured at fair value through profit and loss (held for trading)	Available for sale	Total
As at 31 December 2007				
Assets				
Financial assets available for sale			937 066	937 066
Microloans and other receivables, excl. advance payments and deposits	10 579 453			10 579 354
Cash and cash equivalents	84 371 916			84 371 916
Total	94 951 270		937 066	95 888 336

	Liabilities measured at fair value through profit and loss (held for trading)	Other financial liabilities	Total
Liabilities			
Accounts payable and other liabilities, excl. mandatory liabilities		-7 209 015	-7 209 015
Total		-7 209 015	-7 209 015

7b Credit quality of financial assets

The credit risk involved in financial instruments that have not fallen due or which have not been subject to impairment can be assessed by using external credit ratings (if available) or historical information on breaches of credit conditions.

	2008	2007
Accounts receivable		
Other party with no external credit rating		
Microloans	**71 670 321**	3 932 673
Other loans	**11 660 389**	2 001 563
Total accounts receivable	**83 330 710**	5 934 236

The company has maximum lending limits for microloans and standard credit rating requirements and has developed its own scoring model to determine the credit rating of private customers. Loans are not given to existing customers until previous loans have been repaid. The credit risk will thus be limited.

	2008	2007
Bank deposits		
AA – (Nordea)	**40 363**	
A - 1 (SEB, DnB NOR and Swedbank)	**13 376 092**	84 371 916
	13 416 455	84 371 916
Financial assets available for sale without an external credit rating		
Xtracom	**549 736**	937 066
	549 736	937 066
Derivatives		
A - 1 (Currency contracts DnB NOR)	**- 5 826 843**	
	- 5 826 843	

8 Financial assets available for sale

	2008	2007
Carrying amount 01.01	**937 066**	0
Acquisition of subsidiary	**0**	937 066
Exchange rate difference	**76 950**	
Impairment	**- 464 280**	
Carrying amount 31.12		
Of which classified as fixed assets	**549 736**	937 066
Of which classified as current assets		–

The financial assets that are available for sale consist of:

	2008	2007
Shares listed on Euroinvestor (Stockholm)		
Xtracom Consulting Group AB	**549 736**	937 066

Financial assets that are classified as available for sale are quoted in the following currencies:

	2008	2007
SEK	**549 736**	937 066

The financial assets were written down by NOK 464 280 in 2008 (no impairment in 2007). The shares' fair value has been set at their market price in January 2009.

9 Derivatives

	2008		2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts – at fair value through profit and loss				0
Forward exchange contracts. Bought NOK – sold SEK		**4 490 410**		
Forward exchange contracts. Bought NOK – sold DKK		**1 336 433**		
Total carrying amounts		**5 826 843**		
Of which current liabilities:		**5 826 843**		

Derivatives which are held for trading are classified as current assets or liabilities. All the fair value of the derivative is classified as a long-term asset or liability if the remaining term to maturity is more than 12 months, and as a current asset or liability if the remaining term to maturity is less than 12 months.

The nominal amount of outstanding forward exchange contracts as at 31 December 2008 is NOK 88 000 000 (2007: NOK 0).

10 Microloans and other receivables

	2008	2007
Microloans	**81 809 744**	
Impairment due to probable losses on microloans	**-10 139 424**	
Net microloans	**71 670 321**	
Other receivables		3 942 673
Income accrued but not received *	**2 923 788**	4 635 118
Pre-paid costs and deposits	**3 615 771**	1 515 912
Loans to employees and deposits	**724 925**	344 119
Loans to DFK Holding	**11 405 654**	2 001 563
Total accounts receivable and other receivables	**90 340 460**	12 439 385
Of which fixed assets (long-term)	**724 925**	344 119
Current assets		

The fair value of microloans and other receivables is as follows:

	2008	2007
Microloans **	**68 384 947**	
Loans to employees and deposits	**724 925**	344 119
	69 109 972	344 119

* The loan brokering contract with Collector was terminated as at 31 December 2007. The income accrued but not received as at 31 December 2008 is related to a dispute regarding the outstanding account.
** The fair value of microloans is reduced by the income accrued but not received.
Microloans that have fallen due for payment but whose due date is less than 46 days in the past are not regarded as being impaired.

	2008	2007
Not fallen due	**57 069 873**	
1 – 30 days after the due date	**6 702 950**	
31 - 60 days after the due date	**3 512 429**	
61 - 90 days after the due date	**2 153 112**	
> 91 days after the due date	**12 371 379**	
	81 809 744	

As at 31 December 2008, NOK 10 967 501 in accounts receivable had been written down (impaired), of which NOK 1 260 530 was related to 2007 (the accounting impairment in 2007 was NOK 0). The size of the provision was NOK 10 139 424 as at 31 December 2008 (2007: NOK 0).

Recognised value of the Group's microloans, per currency:

	2008	2007
SEK	**89 848 714**	0
NOK	**551 606**	0

The change in the provisions for the impairment of accounts receivable is as follows:

	2008	2007
As at 1 January		
Provisions for the impairment of receivables	**10 967 501**	
Receivables that have been written off as losses during the year	**828 077**	
Reversal of unused amounts		
As at 31 December	**10 139 424**	
Provisions based on individual assessments as at 30 September (refer to note 2.11)	**5 861 616**	
Provisions Q4 2008	**4 277 808**	
	10 139 424	

The impairment and reversal of impairment of accounts receivable are included in the losses on loans in the income statement. Amounts recognised in the provisions account are written off when there is no expectation of collecting any further cash amounts.

The other classes of accounts receivable and other receivables do not contain any impaired assets.

The maximum exposure to credit risk on the reporting date is the fair value of each class of accounts receivable stated above. The Group has no charge as security.

Of the "other receivables", loans to Dansk Finansieringskompagni ApS (DFK) comprise NOK 11 660 389.
Folkia has acquired all the shares in this company under a contract signed in December 2007. The final takeover did not take place until January 2009. Refer to the separate note on Events after the balance sheet date.

11 Cash and cash equivalents

	2008	2007
Cash and bank deposits	**13 416 455**	84 371 916
Short-term bank deposits		
	13 416 455	84 371 916

The cash and cash equivalents in the cash flow statement comprise the following:

	2008	2007
Cash and cash equivalents	**13 416 455**	84 371 916
	13 416 455	84 371 916

Of the bank deposits, the amount of NOK 5 095 391 is tied as security for forward exchange contracts.

12 Share capital and share premium

	No. of shares	Nominal share capital	Share premium	Total
Carrying amount 01.01.07				
Incorporation 2 January	1 000 000	1 000 000		1 000 000
Capital increase in cash I I (1)	75 000	75 000		75 000
Capital increase in cash II I (2)	556 007	556 007	1 668 021	2 224 028
Contribution in kindl (Acquisition of subsidiary)	6 091 667	6 091 667	21 408 333	27 500 000
Capital increase in cash II I I (3)	4 418 650	4 418 650	105 738 295	110 156 945
Bonus issue (4)		48 565 296	- 48 565 296	0
Share issue costs			-4 053 688	-4 053 688
Total	**12 141 324**	**60 706 620**	**76 195 665**	**136 902 285**
Purchase of own shares	- 353 000	- 1 765 000	- 7 035 290	- 8 800 290
Carrying amount 31.12.07	**11 788 324**	**58 941 620**	**69 160 375**	**128 101 995**
Sale of own shares	242 826	1 214 130	4 839 522	6 053 652
Carrying amount 31.12.08	**12 031 150**	**60 155 750**	**73 999 897**	**134 155 3475**

(1) Cash increase in capital aimed at senior employees of Folkia AS
(2) Cash increase in capital aimed at individual shareholder
(3) Private Placement
(4) Increase in the nominal value of the shares from NOK 1 to NOK 5
For 18 months as from 11 December 2007, the Board is authorised to acquire shares with a nominal value of up to NOK 6 070 682, with the minimum amount that can be paid per share being NOK 1 and the highest being NOK 200. All the shares issued are fully paid-up.

For two years as from 20 December 2007, the Board is authorised to increase the share capital by up to NOK 30 353 310. In connection with the purchase of Monetti on 31 January 2009, the capital was increased by NOK 26 327 960.

The company has used own shares (treasury shares) in connection with the purchase of the subsidiary in Denmark, DFK Holding – closing January 09.

As at 31 December 2008, the number of shares was 12 141 324, of which 110 174 are the company’s own shares.

13 Retained earnings

Carrying amount 01.01.07	**0**
Loss for the year 2007	**-2 051 877**
Carrying amount 31.12.08	
As at 1 January 2008	
Loss for the year 2008	**-5 564 841**
Carrying amount 31.12.08	**-7 616 717**

14 Advance payment for the purchase of a subsidiary

	2008	2007
Advance payment – purchase of Dansk Finansieringskompagni	**6 053 562**	
Total	**6 053 562**	

The advance payment has been recognised in the accounts at its fair value when paid and thereafter at its amortised cost. The advance payment has been tested for impairment as at 31 December 2008.

The capitalised acquisition costs are shown in a separate note (17).

15 Accounts payable and other current liabilities

	2008	2007
Accounts payable	**2 005 214**	6 818 189
Income accrued but not received	**3 285 374**	
Govt. charges and special taxes	**864 338**	80 133
Holiday pay due	**108360**	
Accrued expenses	**3 104 109**	311 693
Total	**9 367 395**	7 209 015

16 Loans

	2008	2007
Long-term loans		
Loans from credit institutions (1)	**421 750**	0
	421 750	
Short-term loans		
Loans from credit institutions (credit facility) (2)	**15 375 168**	0
	15 375 168	0
Total loans	**15 796 918**	0

(a) Loans from credit institutions

(1) The loan falls due on 31 January 2010 and has a fixed interest rate of 10% per annum. This loan is unsecured.

(2) The loan has a fixed interest rate of 8.75%. The loan has no maturity date, security is provided in that an amount equal to 10% of the borrowed amount is in a frozen account and there is a charge on microloans for the remaining amount.

The Group is exposed to interest rate changes on these loans based on the following repricing structure:

	2008	2007
6 months or less	**0**	0
6-12 months	**0**	0
1-5 years	**421 750**	0
More than 5 years	**0**	0
No agreed maturity date	15 375 168	

Carrying amount and fair value of loans:

	Carrying amount		Fair value	
	2008	2007	**2008**	2007

Long-term loans	**421 750**	0	**421 750**	0
Credit facility with a credit institution	**15 375 168**	0	**15 375 168**	0

Long-term loans relate to a long-term loan of SEK 500 000 provided by Frick & Frick. This loan was provided at a market rate of 10% without any additional security. It is stated that the fair value, ie, the relevant lending terms as at 31 December 2008, will be the same. The fair value of the loan is therefore the same as the book value.
The credit facility with a credit institution is linked to an agreement with Svea Economy relating to the collection of microloans. The credit facility is provided at a fixed interest rate of 8.75%. The fair value, ie, the relevant lending terms as at 31 December 2008, will be the same. The fair value of the loan is therefore the same as the book value.

The carrying amounts of the Group's loans in various currencies are as follows:

	2008	2007
NOK		
SEK	**15 796 918**	0
	15 796 918	

The Group has the following unutilised borrowing facilities:

Fixed interest rate	**11 750 832**	
– No expiry date agreed on		

The facilities which expire within one year are annual facilities that must be renewed on various dates in 2008.

17 Capitalised acquisition costs

	2008	2007
Dansk Finansieringskompagni ApS	**1 095 802**	
Monetti Oy	**4 343 293**	
	5 439 095	
Subsidiaries in Denmark and Finland (Estonia) have been bought with accounting effect for the Group (closing) in January 2009. Refer to the note entitled "Events after the balance sheet date".		

18 Pensions and similar liabilities

	2008	2007
Balance-sheet liability:		
– Pension benefits	**527 406**	142 866
Costs debited to the income statement		
– Pension costs	**384 540**	142 866

In Norway, the minimum defined contribution pensions (compulsory company pensions) are paid as they become due. In Sweden, provisions have been made for accrued pension commitments.
As part of their salary contracts, the Group's managers have the opportunity to take out their own insurance contracts (cash pension premiums) up to a total limit of 10% of their fixed salary (contributions to the Compulsory Company Pension are deductible). In Norway, this is paid out regularly to an insurance company or the employee and is treated as salary for tax and employers' national insurance contribution/public charges purposes.

19 Other loans

	2008	2007
Loan Dansk Finansieringskompagni ApS (DFK)	**11 660 389**	2 001 563
	11 660 389	2 001 563

The subsidiary in Denmark has been bought with accounting effect for the Group (closing) in January 2009. The purchase contract was entered into in December 2007.
Refer to the note entitled "Events after the balance sheet date".

Loans have been given to DFK to finance the strengthening of the company's capital in order to develop the operations in Denmark. The loans have been given at the rate of NIBOR + 0.5%, with a contractual clause which contains a declaration from the borrower that it will not create a charge on assets without the lender's consent (a negative pledge).

The loans have been provided through a total of six loan agreements dated from December 2007 until December 2008. The loans have been recognised in the accounts at their fair value when paid. The loans have thereafter been recognised at their amortised cost. The loans have been tested for impairment on the balance sheet date.

20 Foreign exchange (losses)/gains - net

	2008	2007
Foreign exchange gains	**3 881 411**	0
Foreign exchange losses	**- 365 278**	0
Foreign exchange (losses)/gains - net	**3 526 133**	0

21 Wages and salaries

	2008	2007
Salaries	**6 915 899**	136 041
Employers' national insurance contributions	**2 259 477**	42 684
Pension costs – the year's provisions for defined contribution based pension schemes	**384 540**	4 487
Other benefits	**3 596 148**	36 917
	13 156 064	220 129
No. of employees	**23**	12

22 Other operating expenses

	2008	2007
Rental expenses	**2 973 894**	45 046
Marketing	**23 529 668**	778 712
Administrative expenses	**19 084 035**	3 607 662
	45 587 597	4 431 420

23 Financial income and expenses

	2008	2007
Interest income –bank deposits	**1 875 217**	593 481
Interest expenses	**-181 653**	-130 332
Net foreign exchange loss/gain	**3 526 133**	
Change in the fair value of financial derivatives	**- 5 826 842**	
Net financial items	**-607 146**	463 143

24 Tax – Deferred tax – Deferred tax assets

Tax:

	2008	2007
Tax payable		0
Change in deferred tax	**-2 913 004**	-668 429
Tax	**-2 913 004**	-668 429

	2008	2007
Tax payable for the year	0	0
Total tax payable	0	0

Reconciliation of the effective tax rate:

	2008	2007
Loss before tax (including sold operations)	**-8 477 845**	-2 720 305
Tax calculated at 28%	**-2 373 797**	-761 685
Loss for the year without deferred tax asset		76 312
Use of loss carried forward that has not previously been recognised in the accounts	**-712 972**	
Non-deductible costs	**173 765**	16 944
Tax	**-2 913 004**	-668 429
Tax in the income statement	**-2 913 004**	-668 429
Tax	**-2 913 004**	-668 429

Deferred tax and deferred tax assets:

	31 desember	
	2008	2007
Deferred tax assets		
Loss carried forward	**3 097 424**	2 232 980
Financial derivatives	**1 631 516**	
Receivables	**295 400**	
Deferred tax assets	**5 024 340**	2 232 980
Deferred tax liability		
Intangible assets	**2 735 846**	2 857 490
Deferred tax liability	**2 735 846**	2 857 490

Specification of the tax effect of temporary differences and losses carried forward:

	2008 Fordel	**2007 Fordel**
Financial derivatives	**1 631 516**	-
Receivables	**295 400**	-
Loss carried forward	**3 097 424**	2 232 980
Total	**5 024.340**	2 232 980

Deferred tax assets are capitalized based on future income.

It appears that Folkia AB has a previous loss to be carried forward, but that this has not been taken into account when calculating the deferred tax assets. A requirement has been stipulated regarding a conversion to a branch in 2009 and the remaining loss cannot thus be carried forward in any case.

Deferred tax is due in its entirety to the allocation of added value to identifiable intangible assets in connection with the acquisition of Folkia AB in December 2007. Deferred tax is reversed at Group level through future depreciation/amortisation.

25 Liabilities

a)Guarantees and charges (from 2008):

Folkia has provided a guarantee of NOK 580 125 for potential additional costs linked to software development.

Folkia AS has entered into an agreement on an uncommitted framework for forward exchange trading in return for security in a cash deposit. The cash deposit must be NOK 5 million and the prevailing balance is secured as a charge in favour of DnBNOR Bank ASA.

b) Operating leases – liabilities where a Group company is the lessee

The future total minimum payments linked to non-terminable leases are as follows:

	2008	2007
Due date within 1 year	**2 475 803**	833 450
Due date between 1 and 5 years into the future	**2 732 173**	543 374
Due date more than 5 years into the future	**0**	
	5 207 976	1 376 824

26 Business combinations

In accordance with a Share Purchase Agreement dated 27 November 2007, Folkia AS (formerly Folkefinans AS) acquired all the shares in Folkia AB. As payment for the shares in Folkia AB, shares in Folkia AS worth NOK 27.5 million were issued. Through this share issue, the shareholders in Folkia AB acquired an ownership share of 78%. The shareholders in Folkia AB did not comprise a controlling group and the transaction has been treated as an ordinary acquisition, with Folkia AS identified as the acquiring company. The increase in capital was approved at an extraordinary general meeting on 11 December 2007.

The value of NOK 27.5 million is in accordance with an external valuation conducted by Dag Holtan Toresen.

The acquisition required, but was not conditional on, the approval of the authorities. Final approval was given in a letter from Kredittilsynet (the Financial Supervisory Authority of Norway) on 11 November 2008.

At the same time, Folkia AS carried out a private placement with private shareholders, which entailed a significant reduction in the total ownership interest of the former shareholders in Folkia AB.

Folkia AB has been consolidated as from 11 December 2007 and contributed sales of TNOK 1 714 and a loss after tax of TNOK 495 to the consolidated financial statements for 2007. If the business combination had taken place on 1 January 2007, the Group would have had sales revenues of NOK 44 538 977 and a loss for the year of NOK 2 375 733.

The above amounts have been calculated on the basis of a pro forma consolidation of the two companies without taking financial expenses into account since the business combination was financed using equity. However, the amortisation of acquired intangible assets has been taken into account.

The explanation of acquired net assets and goodwill is as follows:
Original cost (amounts in TNOK):

– Cash amount	
– Direct costs in connection with the acquisition	1 404
– Fair value of issued shares (note 16)	27 500
Total original cost	**28 904**

Goodwill is related to the acquired non-contractual customer base and the economies of scale in the acquired company which are expected from combining the Group's operations.

The fair value of issued shares was determined following negotiations and an agreement between the shareholders of Folkia AS and Folkia AB.

The assets and liabilities linked to the acquisition on 11 December 2007 are as follows:
Figures in NOK 1 000

	Fair value	The acquired company's carrying amounts
Cash and cash equivalents	5 242	5 242
Tangible fixed assets	117	117
Customer relationships	1 319	
Trademarks/brands	8 336	180
Scoring model	482	
Software	4 836	4 528
Net working capital	4 534	4 534
Fair value of net assets	**24 866**	**14 601**
Goodwill	15 017	
Goodwill (workforce)	3 226	
Goodwill (deferred tax identifiable intangible assets)	2 875	
	21 118	
Deferred tax	- 2 875	
	43 110	
Liabilities	**- 14 206**	**- 14 206**
Acquired net assets	**28 904**	**395**
Added value paid	**28 509**	
Cash payment on the acquisition	**0**	

Information on acquisitions which took place after the balance sheet date but before the consolidated financial statements were approved is shown in a separate note.

27 Related parties

The Group has been involved in transactions with the following related parties:

Nexia DA

This is owned by, among others, the former chairman of the board and now director and shareholder Finn Terje Skøyen, the former director and shareholder Harald Nicolai Nordstrand and the shareholder Jan Morten Ruud.

Fivado AS

Fully owned by Ove Dag Alsaker, who is the Head of Compliance and a shareholder in Folkia AS.

Interactive á Íslandi

Owned by the current chairman of the board and main shareholder Hördur Bender.

Viadella Investment OÜ

The former owner of DFK Holding AS, the owner of Dansk Finansieringskompagni ApS (DFK) which, on the balance sheet date, was still being acquired by the Group, but over which Folkia now has full control.

a) Sales of goods and services

No goods or services have been sold to any of these companies.

b) Purchase of goods and services

Purchase of services from related parties (in NOK 1000):	**2008**	2007
Nexia DA	**932**	1 424
Fivado AS	**935**	703
Interactive á Íslandi	**1 050**	0
Viadella Investments OÜ	**460**	0
	3 377	2 126

The above amounts are inclusive of value added tax where relevant.

c) Remuneration to senior employees

The senior employees comprise the group management and directors. The remuneration to senior employees is shown below:

	2008	2007
Salaries and other short-term employee benefits	**4 752**	0
Severance pay	**0**	0
Pension benefits *	**342**	0
Other long-term benefits	**0**	0
Share-based remuneration	**0**	0
	5 094	0

Specification per employee	2008	
Name	Salary and other short-term benefits	Pension benefits
Per Spångberg, CEO	1 040	0
Christopher Robinson, CFO	523	65
Nickolaus Karlsson, Credit Manager	513	68
Marcus Lindström, Marketing Manager	424	56
Lennart Almlund, CTO	675	85
Madeleine Astell, Customer Service Manager, HR	388	52
Subtotal Sweden in SEK	3 563	326
Exchange rate (average 2008)	0.8548	0.8548
Subtotal Sweden in NOK	3 046	279
Ove Dag Alsaker, Head of Compliance	340	32
Bjorn Dale, company lawyer	380	31
Finn Terje Schøyen, director	10	0
Jan Morten Ruud, director	10	0
Harald Nicolai Nordstrand, director	10	0
Eilif Bjerke, member of the credit committee	68	0
Hördur Bender, chairman of the board	888	0
Total	4 752	342

d) Balance sheet items resulting from the purchase and sale of goods and services

Receivables due from related parties:	**2008**	2007
- Top parent company	**0**	0
- Close family members of senior employees	**0**	0
- Associates	**0**	0
- Enterprises controlled by senior employees *	**750**	–
Debts to related parties :		
- Closest parent company	**0**	0
- Associates	**0**	0
- Senior employees *	**532**	0
- Enterprises controlled by senior employees **	**58**	–

* Receivables and debts are linked and are due to the fact that the fee payable to the executive chairman of the board was initially invoiced by Interactive á Íslandi. This fee was later credited and converted into salary and tax was deducted in accordance with the rules governing remuneration to the board. These items will be settled in 2009. The receivable is not secured and is not interest-bearing.

No provisions have been made for bad debts concerning related parties.

** Short-term debts to related parties arise from the purchase of services and fall due for payment within two months after the balance sheet date. This debt is not interest-bearing.

e) Loans to related parties

	2008	2007
Loans to the group management (and their families):		
Carrying amount 01.01	**750**	0
Loans granted during the year	**0**	750
Loans repaid during the year	**0**	0
Interest income	**0**	0
Interest received	**0**	0
Carrying amount in SEK	**750**	750
SEK/NOK exchange rate 31.12	**90.42**	84.55
Carrying amount 31.12	**678**	634
Loans to associates		
Carrying amount 01.01	**2 001**	0
Loans granted during the year	**9 205**	2 001
Loans repaid during the year	**0**	0
Interest income	**454**	0
Interest received	**0**	0
Carrying amount 31.12	**11 660**	2 001

The above loans are to Dansk Finansieringskompagni ApS, a company in which Folkia AS has full control over all the shares in January 2009.

The loans to the group management are on the following terms and conditions:

Name	Loan amount
2008 and 2007	
Nickolaus Karlsson	SEK 240.000
Per Spångberg	SEK 240.000
Marcus Lindström	SEK 150.000
Madeleine Astell	SEK 120.000

Terms and conditions

The loans are to be repaid by 31.12.2012.

No loans have been given to directors.

Interest rate

The interest rate is the Swedish state loan interest rate + 1% throughout the term of the loan. The interest is capitalised and is to be paid when the loan falls due.

Loans to associates are within the framework credit limit and are in force until they are cancelled. The interest rate is 10% p.a. with monthly capitalisation.

The fair value of the loans is regarded as equivalent to the loans' book value.

It has not been necessary to make provisions for losses on loans to directors, senior employees and associates in 2008 or 2007.

Remuneration to the auditor

	2008	2007
Statutory audit	329 912	-
Other assurance services	-	123 715
Tax advice	8 500	
Other services	198 500	
	536 912	123 715

28 Events after the balance sheet date

a) Business combinations
In accordance with the Asset and Share Purchase Agreement dated 11 December 2007, Folkia AS acquired all the shares in Dansk Finansieringskompagni ApS (through DKF Holding ApS). Dansk Finansieringskompagni ApS carries out similar activities in Denmark.

According to the agreement, the payment was a cash payment plus shares equal to 2% of the share capital of Folkia AS. The agreement also contained a condition regarding an adjustment of the purchase price depending on the future results achieved, equivalent to an additional 3.5% of the share capital in Folkia AS.

The acquisition required the approval of the authorities and the final transfer of the shares was agreed to be conditional on such approval. Final approval was given in a letter from Kredittilsynet (the Financial Supervisory Authority of Norway) on 21 October 2008.

As regards the payment, refer to a separate note – advance payment for the purchase of a subsidiary (note 14).

Negotiations have later taken place regarding the interpretation of the clause relating to the adjustment of the purchase price. Final agreement was not reached until January 2009. The prerequisite for adjusting the purchase price was not met and own shares that had been provided as security were returned. The shares in Dansk Finansieringskompagni are registered as having been transferred to Folkia AS in January 2009.

The net assets and goodwill that have been acquired are as follows (figures in NOK 1 000):

Cash payment	0
Direct acquisition costs	1 096
Fair value of issued shares	6 054
Original cost	7 149
Book equity 1 January 2009	-3 976
Added value on acquired net assets	11 126
Goodwill (deferred tax on intangible assets has not been taken into account)	8 811

Goodwill is assigned to Dansk Finansieringskompagni's strong position and profitability in the market and employees (that cannot be allocated separately to other intangible assets).

The fair value of acquired assets in excess of their book value is allocated to identifiable intangible assets in accordance with own acquisition analyses. The above allocation is provisional.

In accordance with a Share Purchase Agreement dated 31 July 2008, Folkia AS acquired all the shares in Monetti Oy. Monetti Oy carries out similar operations in Finland and Estonia. A cash payment of NOK 2 632 796 has been made. In addition, a private placement aimed at the shareholders in Monetti Oy has been carried out. The closing took place in January 2009 at NOK 26 327 960, equivalent to NOK 5.00 per share. Following the transaction, the former shareholders of Monetti Oy own 30.25% of the shares in Folkia AS.

The net assets and goodwill that have been acquired are as follows (figures in NOK 1 000:

- Cash payment	2 632
- Direct acquisition costs	4 343
Fair value of issued shares	26 328
Original cost	33 304

Book equity 1 January 2009	3 976
Added value on acquired net assets	37 280
Goodwill (deferred tax on intangible assets has not been taken into account)	15 463

29 Permits and conditions

Folkia AS has been given permits by Kredittilsynet (the Financial Supervisory Authority of Norway) to acquire all the shares in

- Folkia AB – Sweden (14 November 2008)
- DFK Holding ApS – Denmark (8 November 2008)
- Monetti Oy – Finland (29 October 2008)

For DFK Holding ApS, permission to enter into a cooperation agreement had been given in advance (25 April 2008).

All the permits assume that an application to establish a branch office in the respective countries will be submitted within six months and that the operations will be transferred to the respective branch offices.

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30 Share capital and shareholder information

The share capital in the parent company as at 31 December 2008 consists of:

	No.	Nominal value	Book value
Shares	12 141 324	**5**	60 706 620
Total	**12 141 324**		**60 706 620**

All the shares have equal voting rights.

Ownership structure

The largest shareholders in the company as at 31 December 2008

	Shares	Ownership share
Interactive a Islandi HF	1 824 915	15.0%
Euroclear Bank S.A./N.V. ('BA')	1 735 355	14.3%
Engey Invest ehf	1 214 100	10.0%
Sjavarsyn EHF Bjarni Armandsson	1 214 100	10.0%
UBS (Luxembourg) S.A (S/A Folkia)	1 166 000	9.6%
Six Sis AG	433.320	3.6%
Fivado AS	314.483	2.6%
Carnegie Investment Bank AB	309.441	2.5%
Skandinaviska Enskilde Banken	289.057	2.4%
UBS (Luxembourg) S.A (client account)	273.409	2.3%
Oü Viadella Investments	242.826	2.0%
Berasco Limited	242.869	2.0%
Societe Generale Global Sec Serv.	238.276	2.0%
Jan Erik Dyvi	200.500	1.7%
RBC Dexia Investor Services Bank	200.500	1.7%
AS Småfinans	175.150	1.4%
Dynamo AS	173.166	1.4%
Schøyen Industrier AS	153.334	1.3%
Ruud Industrier AS	153.333	1.3%
Thomas Industrier AS	153.333	1.3%
Nils Petter Tetlie	153.333	1.3%
Landsbanki Islands HF	153.144	1.3%
Nordea Bank Plc Finland	150.000	1.2%
Svenska Handelsbanken Stockholm	129.445	1.1%
Nordea Sec AB	119.445	1.0%
Nordnet Sec Bank AB	119.445	1.0%
Total for owners with at least a 1% ownership share	**11 532 279**	**95%**
Own shares	110 174	1%
Total for other owners	498 871	4%
Total registered no. of shares	**12 141 324**	**100%**

Shares owned by directors and the general manager directly or through own companies:

Name	**Position**	**Shares**
Hördur Bender	Chairman of the Board	1 824 915
Leif Bernhard Bjørnstad	Director	175.150
Terje Finn Schøyen	Director	153.334
Stig Magnus Herbern	Director	25.000
Eilif Bjerke	Director	14 000
Nils Otto Nielsen	Director	11 600
Per Spångberg	General manager	119 445

31 Capital adequacy

Capital adequacy 31 December (Group)

Equity and subordinated loan capital

	2008
Share capital	60 706 620
Other equity	65 832 310
Equity	126 538 930
Deductions:	
Intangible assets	-48 261 057
Deferred tax assets	-5 024 340
Core capital	73 253 533
Net equity and subordinated loan capital	73 253 533

Minimum requirement equity and subordinated loan capital

Credit risk	
Of which:	
Institutions	187 000
Mass market commitments	4 909 000
Commitments that have fallen due	1 217 000
Other commitments	819.000
Total minimum requirement credit risk	7 132 000
Settlement risk	0
Foreign exchange risk	988 000
Total minimum requirement market risk	988 000
Operational risk	2 563 500
Minimum requirement equity and subordinated loan capital	10 683 500

Capital adequacy

Capital adequacy ratio	54,9 %
Core capital adequacy ratio	54,9 %

The capital adequacy for 2008 has been calculated in accordance with new capital requirement regulations.
The Group existed for around 2 weeks in 2007.
No capital adequacy has been calculated for 2007.