Annual Report
2010

FOLKIA™

Index:

Annual Report 2010

REPORT OF THE BOARD OF DIRECTORS FOR 2010

Folkia prepares its consolidated financial statements in accordance with IFRS, see section 3-9 of the Norwegian Accounting Act. The company's financial statements are prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP) and the regulations concerning annual financial statements, etc, for banks and financing institutions of 16 December 1998. The directors' report also covers the group's operations, see section 3-3a of the Accounting Act.

ABOUT THE GROUP

The Folkia Group is a leading finance group that provides everyday financial services in the Nordic and Baltic regions. In 2010, the group's services primarily consisted of the provision of microloans – small unsecured loans with a short term to maturity for temporary needs. In addition, the company provides small consumer loans with a term to maturity of up to three years.

As at 31 December 2010, the group's operations consisted of the parent company, Folkia AS, and its branches in Sweden, Finland and Estonia. The operations in Denmark are cross-border activities.

In connection with the acquisition of Folkia AB, Dansk Finansieringskompagni Aps and Monetti Oy, Finanstilsynet (the Financial Supervisory Authority of Norway) stipulated that these companies were to be converted into branches within a reasonable time. This process was completed in 2010.

The company's head office is in Munkedamsveien 45E, NO-0250 Oslo. The group's operations office for all markets is in Stockholm.

OPERATIONS IN 2010

2010 was a year characterised by consolidation, less financial unrest and more favourable business conditions in all the company's markets. Folkia continued to consolidate the group and its operations in all markets saw stable developments. In 2010, the group stabilised its credit losses through the continued development of its own sophisticated scoring models.

Parts of 2010 were characterised by work linked to possible transactions primarily affecting the ownership side of the company. These transactions have now been stopped but they led to the company incurring extra costs in 2010.

GOALS AND STRATEGY

Folkia intends to be the leading provider of everyday financial services in the Nordic and Baltic regions. The company's services are to be simple and easy to access and understand. Through commercial and technical innovation, the company aims to offer services that are clearly different from established financial services in that they have fixed, transparent prices and standardised products and provide unbeatable customer service.

Folkia also aims to be a leading company in relation to the requirements of authorities and will at all times comply with the highest legal, regulatory and industry standards.

FOLKIA™

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Operating revenues

The group's operating revenues came to MNOK 113 in 2010, up from MNOK 109 in 2009.

The parent company's operating revenues amounted to MNOK 92 in 2010, compared to MNOK 7 in 2009. The increase of MNOK 85 is due to the consolidation of the acquired operations.

Operating expenses

The group's operating expenses were MNOK 116 in 2010, as against MNOK 104 in 2009. In 2010, the company carried out several large projects that incurred considerable costs, including significant financial and legal costs linked to possible transactions on the ownership side (see above).

The parent company's operating expenses came to MNOK 97 in 2010, compared to MNOK 13 in 2009. The increase was mainly linked to salaries paid to the employees, directors and control committee – a total of MNOK 29 - that were previously paid by the subsidiaries. The other operating expenses were mainly linked to the projects referred to above.

Goodwill impairment

The carrying amount of goodwill in the consolidated financial statements is assessed annually for any impairment in value. There was no impairment in value in 2010.

Credit losses

The group's losses on loans were MNOK 20 in both 2010 and 2009. The credit losses are expected to be slightly lower in 2011.

BALANCE SHEET, FINANCING AND LIQUIDITY

The group's balance sheet total as at 31 December 2010 was MNOK 184, compared to 203 MNOK in 2009. The reduction is due to the repayment of a loan to an external lender at the year-end.

The group is mainly financed by equity. The group has a credit facility of MSEK 50 in Sweden and MEUR 3 in Finland with Svea Ekonomi.

The group's liquidity situation is good and the credit facilities with Svea had not been utilised at the year-end. As at 31 December 2010, the group had cash holdings of MNOK 11.

The group's cash flow was satisfactory throughout 2010.

The parent company's balance sheet total as at 31 December 2010 was MNOK 179, up from MNOK 154 in 2009. The parent company's balance sheet contains short-term liabilities of MNOK 27. The company had no distributable equity as at 31 December 2010.

The parent company had a positive cash flow.

RISKS AND CAPITAL ADEQUACY

The group is exposed to various types of financial risks. In relation to the group's balance sheet as at 31 December 2010 these are: foreign exchange risks and credit risks linked to loans in local currencies in the group's markets, foreign exchange risks linked to inter-company loans, credit risks linked to excess liquidity and trade debtors, and in part liquidity risks linked to the repayment of loans. The group has implemented routines and policies to handle the various risks and these are described in further detail in note 3 to the consolidated financial statements.

The group's capital adequacy ratio was 23.7% as at 31 December 2010, compared to 26.8% in 2009. The capital adequacy ratio is significantly higher than the minimum requirement of 8%.

CORPORATE GOVERNANCE

The Board held seven meetings in 2010. The key issues discussed were strategy, possible transactions, the group's developments, structure, improving efficiency and development projects. The Board also discussed a number of policy documents linked to compliance with the authorities' requirements.

The Credit Committee, which is a subcommittee of the Board, meets regularly every second month and reviews the company's credit risk relating to the loan portfolio and the levels of provisions for loan losses.

EXTERNAL ENVIRONMENT

There are no circumstances relating to the operations, including input factors and products, that may result in a not insignificant effect on the external environment.

THE WORKING ENVIRONMENT

Folkia made systematic efforts to improve its working environment in 2010. There was a particular focus on ergonomics, improving the air quality and measures to prevent swine flu. The total sickness absence was 262 days, which equals 2.87% of the total hours worked. No work-related injuries or accidents took place.

GENDER EQUALITY

Folkia places emphasis on giving women and men the same opportunities for professional and personal development, salary and promotion. The group has flexible schemes which make it easier to combine a career and family life. Of the group's 32 employees, 15 are women.

FUTURE PROSPECTS

The Board considers the company's outlook for 2011 to be good. The Board expects a higher or stable demand for the company's products as well as much more efficient operations following a change of leadership in March 2011.

However, the Board wishes to make it clear that there is normally considerable uncertainty linked to assessments of future circumstances. In the Board's view, there are several uncertain factors that must be taken into consideration, including changes to the market conditions and legal prerequisites in individual markets.

APPROPRIATION OF THE PROFIT FOR THE YEAR

The Board proposes transferring the profit of Folkia AS for the year, NOK 3 076 408, to other equity.

GOING CONCERN

The Board confirms that the business is a going concern and that the annual financial statements have been prepared on this basis.

* * * * *

Oslo, 30 May 2011

The Board of Folkia AS

Finn Terje Schøyen
Chairman of the Board

Eilif Bjerke
Director

Leif Bernhard Bjørnstad
Director

Nils Otto Nielsen
Director

Stig Magnus Herbern
Director

Petri Ari-Pekka Kanervo
Director

Hördur Bender
CEO

In NOK (all Financial Statements)
Consolidated statement of comprehensive income

	Note	2010	2009
Interest and similar income on loans to and receivables due from customers		107 406 094	108 150 197
Fees for arranging loans		-	358 002
Other income	27	5 709 103	530 998
Total interest income and similar income		**113 115 197**	**109 039 197**
Salaries	16	33 875 173	21 617 629
Amortization intangible assets	6	6 169 854	5 835 061
Write down intangible assets	6	442 964	-
Depreciation tangible fixed assets	5	768 451	655 021
Write down tangible fixed assets	5	-	23 467
Losses on loans	9	20 111 520	19 976 755
Other operating expenses	17	54 440 890	55 260 113
Impairment of shares available for sale	7a, 8	106 550	499 882
Total operating expenses		**115 915 403**	**103 867 928**
Operating result		**-2 800 206**	**5 171 269**
Financial income	18	3 318 277	7 716 543
Financial expenses	18	-6 205 381	- 12 216 469
Net financial items		**-2 887 103**	**- 4 499 926**
Result before tax		**-5 687 309**	**671 343**
Tax	19	15 116 181	-1 911 588
Result for the year		**9 428 872**	**-1 240 245**
Other comprehensive income			
Exchange differences on translating foreign operations		764 952	-72 208
Other comprehensive income for the year		**764 952**	**-72 208**
Total comprehensive income for the year		**10 193 824**	**-1 312 454**

Consolidated statement of financial position

	Note	2010-12-31	2009-12-31
ASSETS			
Non-current assets			
Tangible fixed assets	5	1 755 144	1 900 549
Software and scoring model	6	7 966 291	9 934 171
Trademarks/brands and licences	6	10 148 821	10 200 675
Customer relationships	6	7 721 192	10 387 743
Goodwill	6	45 889 905	45 889 905
Deferred tax assets	19	17 386 661	5 611 660
Financial assets available for sale	8	77 928	175 181
Loans to employees and deposits	22	528 781	542 914
Total non-current assets		**91 474 723**	**84 642 826**
Current assets			
Microloans and other receivables	7a, 7b, 9	75 142 529	81 431 325
Pre-paid expenses and deposits	9	3 964 840	2 043 411
Interest receivables	9	2 533 047	2 366 819
Cash and cash equivalents	10, 7a, 7b	10 607 025	32 688 370
Total current assets		**92 247 440**	**118 529 925**
Total assets		**183 722 163**	**203 172 752**

	Note	2010-12-31	2009-12-31
EQUITY			
Equity attributable to the company's shareholders			
Share capital	11, 25	87 034 580	87 034 580
Own shares	11, 25	-814 580	-814 580
Share premium	11	73 999 898	73 999 898
Retained earnings	12	-5 897 578	-15 326 450
Foreign currency translation reserve	12	417 159	-347 793
Total equity		**154 739 479**	**144 545 655**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	19	-	7 481 374
Loans	7a, 14	-	-
Total non-current liabilities		**-**	**7 481 374**
Current liabilities			
Accounts payable and other current liabilities	7a, 13	21 078 208	7 229 686
Deferred income		4 511 526	4 630 957
Accrued expenses	13, 15	3 392 950	3 618 064
Loans (credit facility)	7a, 14	-	35 667 016
Total current liabilities		**28 982 684**	**51 145 723**
Total liabilities		**28 982 684**	**58 627 097**
Total equity and liabilities		**183 722 163**	**203 172 752**

Oslo, 30 May, 2011
Board of Folkia AS

Hördur Bender
(CEO)

Terje Finn Schøyen
(Chairman of the board)

Leif Bernhard Bjørnstad

Eilif Bjerke

Stig Magnus Herbern

Nils Otto Nielsen

Petri Ari- Pekka Kanervo

Statement of changes in equity

	Note	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity
Equity as of 1 January 2009		**60 155 750**	**73 999 897**	**-13 826 861**	**-**	**120 328 786**
Contribution in kind		26 327 960				26 327 960
Currency translation difference					- 347 793	- 347 793
Purchase of treasury shares		-263 710		-259 344		-523 054
Result for the year				-1 240 245		-1 240 245
Equity as of 31 December 2009	**11, 12**	**86 220 000**	**73 999 897**	**-15 326 450**	**- 347 793**	**144 545 655**
Registered share capital		87 034 580				
- own shares		814 580				
Equity as of 31 December 2010		**86 220 000**	**73 999 897**	**-15 326 450**	**- 347 793**	**144 545 655**
Contribution in kind						
Currency translation difference					764 952	764 952
Result for the year				9 428 872		9 428 872
Equity as of 31 December 2010	**11, 12**	**86 220 000**	**73 999 897**	**-5 897 578**	**417 159**	**154 739 479**
Registered share capital		87 034 580				
- own shares		814 580				

Consolidated statement of cash flows

	Note	**2010**	2009
Cash flow from operations			
Result before tax		-5 687 309	599 135
Ordinary depreciation tangible assets	5	768 451	5 619 313
Amortization of intangible assets	6	6 169 854	894 236
Impairment of intangible assets	6	442 964	-
Impairment of shares available for sale	8	106 550	499 882
Currency translation differences		-	1 163 388
Net financial expenses/ income	18	2 887 103	2 993 810
Income tax paid		-4 340 898	-2 163 844
Changes in accounts receivables		6 288 796	-15 109 554
Changes in other receivables		-2 087 656	2 311 340
Changes in accounts payables		13 848 522	3 055 116
Change in other payables		-344 545	1 859 537
Net cash flow from operations		**18 051 833**	**1 722 359**
Cash flow from investing activities			
Investments in tangible fixed assets	5	-489 055	-986 607
Investments in intangible assets	6	-1 778 369	-
Investments in subsidiaries		-	-34 983 448
Net cash flow used for investing activities		**-2 267 424**	**-35 447 001**
Cash flow from financing activities			
Issue of ordinary shares		-	26 064 250
Loans relating to the acquisition of companies		-	11 660 389
Increase/(decrease) in long-term liabilities		-	-421 750
Deferred tax		-	4 745 528
Interests paid	18	-2 746 143	-3 548 546
Interests received	18	99 385	-1 271 451
Change in credit facility	9	-35 667 016	20 291 848
Net disposal/(purchase) derivatives		-	-5 826 843
Net cash flow used for financing activities		**-38 313 774**	**27 455 362**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**448 019**	**-**
Change in cash, cash equivalents		**-22 081 347**	**19 271 915**
Cash, cash equivalents as of 1 January	10	32 668 370	13 416 455
Cash, cash equivalents as of 31 December	10	**10 607 025**	**32 688 370**

Notes to the consolidated financial statements

1 General information

Folkia AS (*the Company*) and its subsidiaries (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 also arranges "Folklån", with terms ranging from one to three years.

Folkia acquired Folkia AB in December 2007 and in January 2009 Folkia acquired Monetti Oy and DFK Holding ApS with former subsidiaries Monetti AS and Dansk Finansieringskompagni ApS, all of which have similar operations. As at 31 December 2010, the Group consisted of the parent company, Folkia AS, and its branches in Norway, Sweden, Denmark, Finland and Estonia as well as Folkia AB and Dansk Finansieringskompagni ApS.

The Financial Supervisory Authority of Norway (Finanstilsynet) made a premise at the time of the acquisition of Folkia AB, Dansk Finansieringskompagni Aps and Monetti Oy that these subsidiaries should be transformed into branches within reasonable time. These subsidiaries became branches during 2010.

The company's head office is at Munkedamsveien 45 E, 0250 Oslo. The Group's operational head office for all markets is located in Stockholm.

The consolidated financial statements were approved by the company's board on 30. May 2011.

1.1 Adoption of new and revised International Financial Reporting Standards and Interpretations

Standards and Interpretations adopted on the financial statements

The following new and revised or amended Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard/ Interpretation	Title	Date of issue	Applicable to accounting periods commencing on
IFRS 3 (as revised in 2008)	*Business Combinations*	January 2008	1 July 2009
IAS 27 (as revised in 2008)	*Consolidated and Separate Financial Statements*	January 2008	1 July 2009
IAS 39 amendment	*Financial Instruments: Recognition and Measurement: Eligible Hedged items*	July 2008	1 July 2009
IFRS 2 amendment	*Group Cash-settled Share-based Payment Transactions*	June 2009	1 January 2010
IFRS 1 amendment	*First time adoption of IFRS*	November 2008	1 January 2010
IFRS 1 amendment	*Additional Exemptions for First-time Adopters*	July 2009	1 January 2010
Improvements to IFRSs (Various Standards and Interpretations)	*Improvements to IFRSs*	April 2009	1 July 2009[1]
IFRIC 12	*Service Concession Arrangements*	November 2006	29 March 2009
IFRIC 15	*Agreements for the Construction of Real Estate*	July 2008	1 January 2010
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	July 2008	1 July 2009
IFRIC 17	*Distributions of Non-Cash Assets to Owners*	November 2008	1 November 2009
IFRIC 18	*Transfers of Assets from Customers*	January 2009	1 November 2009

[1] The implementation dates for the various improvements vary; the earliest mandatory date is 1 July 2009.

Standards and Interpretations in issue but not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations had been issued by the IASB but were not effective for the financial year ended 31 December 2010.

The directors anticipate that these Standards and Interpretations will be adopted in the Group's financial statements for the period beginning 1 January 2011 or later. Effective dates are as applicable for IFRSs as adopted by the European Union as these in some cases will deviate from the effective dates as issued by the IASB. The directors have not yet considered the potential impact of the adoption of these new and revised/amended Standards and Interpretations.

Standard/ Interpretation	**Title**	**Date of issue**	**Applicable to accounting periods commencing on**
Revised IAS 24	*Related Party Disclosures*	November 2009	1 January 2011
IAS 32 amendment	*Classification of Rights Issues*	October 2009	1 February 2010
Amendment of IFRS 1	*Limited Exemption from comparative IFRS 7 Disclosures for First-time Adopters*	January 2010	1 July 2010
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	November 2009	1 July 2010
Amendment to IFRIC 14	*Prepayments of a Minimum Funding Requirement*	November 2009	1 January 2011
IFRS 9[2]	*Financial Instruments*	November 2009	1 January 2013
Amendment to IFRS 7	*Disclosures related to de-recognition of financial assets*	October 2010	1 July 2011
Improvements to IFRSs (various Standards and Interpretations)	*Improvements to IFRSs*	May 2010	1 January 2011[3]
IFRS 10[2]	Consolidated financial statements	May 2011	1 January 2013
IFRS 11[2]	Joint Arrangements	May 2011	1 January 2013
IFRS 12[2]	Disclosure of interests in other entities	May 2011	1 January 2013
Amendment of IAS 27 [2]	Separate Financial Statements	May 2011	1 January 2013
Amendment of IAS 28 [2]	Investments in associates and joint ventures	May 2011	1 January 2013

[2] This Standard/Interpretation has at the time of the approval of these Financial Statements not been approved by the European Union
[3] The implementation dates for the various improvements vary, the earliest mandatory date is 1 July 2010.

2 Summary of significant accounting policies

Below is a description of the most significant accounting policies applied when preparing the consolidated financial statements. These policies were applied consistently in all the periods presented.

2.1 Basis for preparation

Folkia AS' 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:
- Financial assets available for sale are measured at fair value with changes in fair value recognized in profit or loss
- Financial derivatives are measured at fair value with changes in fair value recognized in profit or 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 are disclosed in note 4.

2.2 Consolidation principles

Subsidiaries
Subsidiaries are all entities in which the Group has the power to govern the entity's financial and operational policies 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.

Intercompany transactions, balances and unrealised profits have been eliminated.

Business combinations
The acquisition method of accounting is used when recognising the acquisition of businesses. The consideration transferred is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable purchased assets, liabilities assumed and contingent commitments that have been acquired or incurred are recognised at fair value as at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred over the fair value of identifiable net assets in the acquiree.

2.3 Establishment of branches

Folkia went through process of branchification in 2010 and operations are now managed by branches of Folkia instead of subsidiaries. For accounting purposes, the transaction was performed applying the carrying values of the assets and liabilities transferred.

2.4 Segment reporting

The Group is not subject to any requirement of separate segment reporting.

2.5 Translation of foreign currencies

(a) *Functional currency and presentation currency*
The financial statements of the individual entities in the Group are prepared using the currency which is mainly used in the

economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Norwegian kroner (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 date exchange rate. At the end of a reporting period, monetary items (assets and liabilities) in foreign currencies are translated at the exchange rate prevailing on the statement of financial position date.

(c) *Group companies*

The statement of comprehensive income and statement of financial position for Group entities (none with hyperinflation) whose functional currency differs from their presentation currency are translated as follows:

(a) the statement of financial position is translated at the closing rate on the statement of financial position date
(b) the statement of comprehensive income 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 Other Comprehensive Income

Goodwill and fair value adjustments to assets and liabilities acquired in a business combination are recognised as assets and liabilities in the acquired entity and translated at the exchange rate prevalent at the date of the statement of financial position.

2.6 Tangible fixed assets

Tangible fixed assets are recognised in the financial statements at their cost of acquisition less depreciation (carrying amount). The cost of acquisition includes costs directly attributable 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 useful life and residual value of fixed assets are assessed on each statement of financial position 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 statement of comprehensive income under other (losses)/gains, and comprise the difference between the sales price and carrying amount.

2.7 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 statement of financial position at its original cost less impairments. Goodwill impairment charges 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 subsequent 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.

(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 statement of financial position at their fair value on the takeover date. Trademarks/brands and licences have a limited useful life and are recognised in the statement of financial position at their original cost less 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 statement of financial position 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 statement of financial position at their fair value on the acquisition date. The contractually regulated customer relationships have a limited useful life and are recognised in the statement of financial position 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 statement of financial position as intangible assets provided the following criteria's 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 demonstrated 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
- 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 statement of financial position as an asset at a later date.
Software that is recognised in the statement of financial position is amortised in a straight line over its estimated useful life (max. of 5 years).

2.8 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 statement of comprehensive income 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 have suffered 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 for impairment, which in this context refers to the company in Sweden (Folkia AB), Finland (Monetti Oy) and Denmark (DFK Holding ApS). Refer to the note on Business Combinations.

2.9 Noncurrent assets (or disposal groups) held for sale

Noncurrent assets (or disposal groups) are classified as held for sale when their carrying amount will mainly be realised through a sale 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.

2.10 Financial assets

2.10.1 Classification

The Group classifies financial assets in the following categories:

- At fair value through profit and loss
- Loans and receivables – applies to microloans, deposits, cash and cash equivalents and interests receivables.
- Assets that are available for sale – applies to a share investment in SIP Nordic 100

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. Folkia had no derivatives or financial assets at fair value through profit or loss in 2010.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or defined 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 statement of financial position date, in which case they are classified as fixed assets. Loans and receivables are classified as Microloans, “other receivables” and “other loans” in the statement of financial position.

(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 statement of financial position date.

2.10.2 Recognition and measurement

Loans and receivables are recognised in the financial statements at amortised cost. Loans and receivables are 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 statement of financial position . When securities that are classified as available for sale are sold or written down (impaired), the total change in value that has been recognised in equity is recognised in the statement of comprehensive income 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 statement of comprehensive income under other incomes.

On each statement of financial position 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 statement of comprehensive income is not reversed through the statement of comprehensive income. The impairment test for accounts receivable is described in a separate note.

2.11 Derivatives

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

2.12 Account receivables– microloans

Upon initial recognition in the statement of financial position, short-term loans are measured at their fair value. When measured subsequently, microloans are valued at an amortised cost determined using the effective interest rate method (simplified), less provisions for incurred losses. The provisions for losses are recognised in the financial statements based on separate, individual assessments.

2.13 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 statement of financial position, overdrafts are included in loans under current liabilities.

2.14 Share capital and share premium

Ordinary shares are classified as equity.

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

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

2.15 Accounts payable

Accounts payable are measured at their fair value when initially recognised in the statement of financial position. When subsequently measured, accounts payable are valued at amortised cost.

2.16 Loans

A loan is recognised in the financial statements at its fair value when it is paid out. In subsequent periods, the loan is measured 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 statement of financial position 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, less tax.

2.17 Tax payable and deferred tax

The tax for a period consists of the income tax payable and deferred tax. Tax`s recognised in the statement of comprehensive income 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 income tax is calculated in accordance with the tax laws and regulations that have been adopted, or substantively adopted, by the tax authorities on the statement of financial position date. Legislation in the countries in which the Group's subsidiaries or associates operate and generate taxable income applies to the calculation of the taxable income. Management evaluates the Group's tax positions for each period in situations where the prevailing tax laws are subject to interpretation. Provisions for estimated tax payments are made based on management's assessment.

Estimated deferred tax on all the temporary differences between the values of assets and liabilities for tax purposes (tax base) and consolidated financial statement purposes (carrying value) has been recognised in the statement of comprehensive income using the debt method. If deferred tax arises on the initial statement of financial position 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 statement of financial position. Deferred tax is determined using tax rates and tax laws that have been adopted or substantively adopted on the statement of financial position 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 statement of financial position 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, except when the Group controls the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

2.18 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 one commitment linked to a former employee and present shareholder.

(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.

(e) *Profit sharing and bonus plans*

The Group has no pre-agreed profit-sharing schemes or bonus plans.

2.19 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.

2.20 Revenue recognition

Income 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 (Folklån), 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 the lender, Folkia has no credit risk linked to the loans which it arranges.

(b) *Interest incomes / charges*

Interest income/charges are recognised in the statement of comprehensive income 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 income is recognised in the statement of comprehensive income based on the amortised cost and original effective interest rate.

2.21 Leases

Leases in which a significant part of the risk and return linked to ownership continues to reside with the lessor are classified as operating leases. Rent paid on operating leases (less any financial incentives provided by the lessor) is charged to expenses on a straight line basis 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 finance leases. The Group has no such leases.

Liabilities linked to operating leases are shown in the note on nominal value.

3 Financial risk management

Risk Management ensures compliance with internal and external Risk Management regulations, such as Basel II, and strong emphasis is placed on reporting risk to the relevant stakeholders in clear and meaningful manner. The Folkia AS (Folkia) Risk Management function is responsible for handling risks according to policies and instructions. The Board is responsible for evaluating its work and its expertise related to risk management and internal control at least once a year. The general manager should give the board relevant and timely information that is of importance to the company risk management and internal control, including information on new risks.

Risk shall be estimated and compared to expected revenue to the extent it is economically justifiable. After the Groups risk profile has been defined, it should be assessed and appraised. The assessment and appraisal includes the following steps:

1) Assessment of each risk category

Each risk category defined must be individually assessed. The risk assessment must be documented and always result in a qualitative assessment of the risk, but also in a quantifiable amount when possible.

2) Stress testing: Assessment of unforeseen events

Unforeseen events must be defined, which should take exceptional but possible events into consideration. These events may be designated “stress test events” and their consequences should be simulated and documented. The results of the simulations should be reviewed against the Folkia’s capital. The unforeseen events may be based on historical experience or hypothetical scenarios.

3) Assessment of how risks are mitigated and controlled

Although all risks cannot be quantified, an analysis should be prepared that describes how the risk is mitigated and controlled. Assessment of the effects of actions by executives may also be simulated in connection with this assessment, where for instance the effects of stress test events may be revised in light of realistic possible actions by executives.

Risk factors

Folkia is exposed to various types of risks under Pillar I:

- Credit risk – Counterparty risk related to microloans receivables and investments of excess liquidity
- Operational risks – Legal and compliance risks, systemic risks and human errors
- Market risks – Interest rate risks, equity risks and foreign exchange risks not included in the trading book

Folkia is exposed to various types of risks under Pillar II:

- Liquidity risks
- Reputational risk
- Strategic risk
- Political and legal risk

3.1 Pillar I risks

Market risk

(I) Foreign exchange risk

Generally Market Risk represents the risk to earnings and capital arising from adverse movements in the prices of risky assets held for trading, such as bonds, securities, commodities, or similar. Since the Company does not actively trade in risky assets, this concept does not apply to the Company.

Market Risk also arises in conjunction with adverse movements in foreign exchange rates (FX Risk). Folkia is exposed to FX Risk to the extent (i) assets and liabilities of the Company are obtained in different currencies, (ii) the functional currency used in the financial statements is different from the currency in which the group financial statements are presented (translation risk), and (iii) revenues and costs arise in different currencies.

The Company's loans are today mainly in SEK and the Company's group financial statements are denominated in NOK. As a result, the Company has a net long SEK exposure due to mismatch between the denomination of its assets and its liabilities and own equity. There is no other meaningful exposure to other currencies than SEK.
FX Risk related to a potential mismatch between the denomination of revenues and costs is not material to the Company, as the major part of the operations is performed in the SEK area and generates income in SEK, this risk is therefore considered to be negligible.

By the end of December 2010, Folkia had an unhedged foreign exchange exposure of 81 503 KNOK.

Sensitivity analysis

NOK 1000 as per 31 December 2010

	Change	Result
NOK/SEK	+/- 5%	+/- 749
NOK/DKK	+/- 5%	+/- 318
NOK/EUR	+/- 5%	+/- 454
NOK/ EEK	+/- 5%	+/- 44

(II) Interest rate risk

Interest Rate Risk is the risk that net interest income is negatively impacted as a result of fluctuations in the prevailing level of interest rates.

Interest Rate Risk connected to the Company's profitability resides solely in the Company's cost of funding. A sudden and lasting interest rate shock could have a negative impact on the Company's financial results to the extent interest rates and resulting interest expenses on loan facilities are affected by an increase in market interest rates (whereas the income from the retail loans would remain unchanged). Folkia has a credit facility arrangement with Svea Ekonomi where the Company could borrow at fixed rate. However, the agreement states that Svea Ekonomi could increase their rate if their own funding is severely affected by an interest rate shock.

Interest Rate Risk could be handled by Folkia's ability to set the level of new lending. As such Folkia can decide what lending levels in the statement of financial position and can avoid setting the level at which funding would become too costly for the Company.

Credit risk
Credit Risk is the risk to earnings and capital arising from an obligor's failure to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. Credit Risk on Folkia's statement of financial position relates mostly to the Company's lending to the general public (I). In addition, the Company is exposed to Credit Risk in the form of counterparty risk relating to (II) the Company's cash deposits with banks.

(I) Credit Risk from Consumer Receivables (“Lending to the General Public”)

These receivables are generated by daily lending transaction to the general public. They are in general short in financial terms (typically of one month length). Since these loans are to be repaid very fast the actual amount outstanding is limited. By looking at monthly statistics for 2010 one can see that on average NOK 53 millions is paid out in lending. Looking at statistics roughly 1,8 times this monthly amount is ongoing exposure. This means that the larger part of the amount is repaid quickly by the customers.

A calculated average default rate during the time period is 4,3 % and this imply a monthly credit loss of NOK 1,6 millions and on yearly basis NOK 19 millions.

Folkia has maximum lending limits for microloans; loans are not given to existing customers until previous loans have been repaid. The company has developed its own scoring model to determine the credit rating of private customers. Credit Risk within Folkia is monitored by the Credit Risk Manager. The Credit Risk Manager uses, among other things, various stress tests in order to determine what capital buffer is needed to cover this risk. The finance function manages counterparty risk. Risk Management/CFO reports to the Board of Directors on a regular basis.

(II) Counterparty Risk from Deposits at Banks

The excess liquidity generated from the business is placed at high rated banks (A-1 or better). The risk consists of the banks not having the capacity to repay the money placed with them. Ratings on these counterparts are assigned by Standard & Poor's Financial Services LLC.

Credit risk exposure
NOK 1000 as per 31 December 2010

Counterpart	Exposure
General Public	95 485
Other	10 607
Total exposure	**106 092**

Region	Exposure
Sweden	71 470
Norway	1 082
Denmark	1 863
Estonia	8 852
Finland	22 825
Total exposure	**106 092**

Operational risk
Operational Risk is the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk and compliance risk.

Successful management of Operational Risk on a daily basis requires strong internal controls and quality assurance, which is best achieved by means of having a competent management and staff. Folkia manages Operational Risk by continuously improving its internal routines and day-to-day control procedures, and by recruiting market leading, experienced specialists for all positions of responsibility within the Company’s operations.

Moreover, in order to ensure the Company’s compliance with applicable laws and regulations, Folkia has a Compliance Officer who also ensures that quality, integrity and ethical practices within the business are maintained. Folkia’s Compliance officer is independent and reports directly to the Board.

3.2 Pillar II risks

Liquidity and cash flow risks

Liquidity risk is the risk of higher financing costs due to difficulties obtaining financing. Liquidity risk arises when the actual cost of extending a loan or re-borrowing exceeds the expected cost of financing.

Liquidity Risk in the Company is linked primarily to the Company's funding from Svea Ekonomi and the risk that Svea Ekonomi stops further funding with short notice.

In order to monitor its liquidity position and mitigate liquidity risk the Company uses cash forecasting systems which provide ongoing visibility as to imminent, medium-term and long-term liquidity needs and minimise the risk of facing unforeseen liquidity requirements.

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.

Reputational risk

Folkia places strong emphasis on the ethical treatment of is debtors in order to protect its own reputation. It maintains an effective complaints management process by which potential complaints are handled swiftly and fairly.

Strategic risk

To minimise strategic risk from the entry of new market or launch of a product, Folkia carries out exhaustive market research and analysis prior to entry of a new market or launch of new product.

Political and legal risk

Folkia handles these risks by being updated on upcoming legislation and political discussions.

3.3 Capital adequacy

To meet the requirements from NFSA, the Company's capitalization shall be risk-based, founded on an assessment of all risks inherent in the operations and forward looking, aligned with strategic and business planning.

Capital requirements for Pillar I risks are calculated using the Standardised Approach for Credit Risk, and the Basic Indicator Approach for Operational Risk. For market risks the Standard Method for Non-Trading Activities is applied.

Estimated capital need is calculated by adding the capital requirement for Pillar I and the capital needs resulting from Pillar II risks, where Pillar II risks are calculated based on expected potential loss levels from these risks.

Folkia considers its current business to be relatively uncomplicated. This is due to the fact that the Company's main business is the management of small loans; the Company does not engage in any proprietary trading and the Company does not raise deposits from the public.

The current capital base as per 31 December 2010 includes NOK 65 million of Tier 1 Capital and no Tier 2 Capital. Total capital requirement for the same period totalled NOK 7 millions. This sums up in a capital ratio of 9,3 times.

Capital base

NOK 1000 as per 31 December 2010

Amount of primary capital	86 220
Amount of supplementary capital	74 000
Amount of expanded capital base	-
Deductions and limit values	-94 593
Total capital base	**65 627**

Capital requirement

NOK 1000 as per 31 December 2010

Capital requirement for credit risks using the standardized method	7 185
Capital requirement for operational risks	5 363
Capital requirement for foreign exchange risks	6 688
Total minimum capital requirement	**22 142**

Capital adequacy by credit risk exposure class

Folkia applies the standardized method when computing capital adequacy for credit risk

NOK 1000 as per 31 December 2010

Retail exposure	86 345
Risk-weighted amount	84 196
Capital requirement	6 736
Other exposure	19 549
Risk-weighted amount	5 618
Capital requirement	449
Total capital requirement, credit risk	**7 185**

3.4 Fair value estimation

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

- microloans to customers
- structured product (certificate SIP Nordic)
- credit facility Svea Ekonomi

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 statement of financial position 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 zero.

The nominal value less 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 disclosure 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.

4 Critical accounting estimates and judgements

In the application of the Group's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 of 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.

Provisions for losses on microloans.

The Group makes regular provisions for estimated losses 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 and an increase in temporary differences due to branchification process in 2010 in its statement of financial position. Budgets and forecasts approved by the management show future earnings which justify deferred tax assets being recognised in the statement of financial position.

5 Tangible fixed assets

2009 financial year

	Machinery, fixtures, fittings and vehicles
Carrying amount 01.01.09	**2 419 151**
Additions due to the acquisition of companies	1 011 482
Adjustment due to misclassification*	-961 627
Additions	384 788
Effect of foreign currency exchange differences	-306 944
Correction for foreign currency exchange differences*	134 906
Foreign currency exchange difference adjustments for 2009**	-102 720
Impairment charge	-23 467
Depreciation during the year	-870 769
Adjustment to the depreciation*	215 748
Carrying amount 31.12.09	**1 900 549**

As at 31 December 2009	
Original cost	**4 112 240**
Adjustment due to misclassification*	-817 945
Adjusted original costs	3 294 295
Foreign currency exchange difference adjustments for 2009**	-102 720
Accumulated depreciation	-1 497 999
Adjustment to the depreciation*	206 973
Carrying amount 31.12.09	**1 900 549**

2010 financial year	
Carrying amount 01.01.10	**1 900 549**
Additions	489 055
Effect of foreign currency exchange differences	133 990
Disposals	-
Depreciation during the year	-768 451
Carrying amount 31.12.10	**1 755 144**

As at 31 December 2010	
Original cost	3 849 604
Accumulated depreciation	-2 094 462
Carrying amount 31.12.10	**1 755 144**

*** -** This is an adjustment due to misclassification of intangible assets as tangible assets in 2009. The amount was initially reported within additions due to the acquisition of Danish subsidiary (one of Folkia AS branches in 2010). The carrying amount of these intangible assets as at 01.01.2009 was 961 627 and the correlated sum of accumulated amortizations was 215 748. During 2009 foreign currency exchange differences related to these assets were 134 906.
The original cost of tangible assets was correspondently adjusted by 810 299 and accumulated amortization with 199 327. These amounts were reclassified to intangible assets as a corresponding adjustment in 2009 (note 6).
This misstatement does not have any impact on the 2008 financial statements.

** - This adjustment relates to a casting error in 2009, as the amount presented as Foreign currency exchange difference was not accurate. The correct amount of Foreign currency exchange differences in 2009 should be 409 664, while it was reported as 306 944 as at 31.12.2009. This misstatement does not have any influence on 2008 financial statements.

The tangible assets (vehicles) have been written down by NOK 23 467 in 2009, NOK 0 in 2010. Impairment charges were recognised in the consolidated statement of comprehensive income.

Depreciation is charged on a straight-line basis. Estimated useful life is between 3 and 5 years.

6 Intangible assets

	Goodwill	Software (including scoringmodell and licenses)	Customer relationships	Trademarks	Total
2009 financial year					
Carrying amount 01.01.09	21 117 972	6 418 115	1 040 585	8 288 881	36 865 553
Additions	24 771 933	7 063 687	12 013 710	1 978 484	45 827 814
Adjustment due to misclassification of additions*		961 627			961 627
Translation differences	-	-1 258 689	-	-13 844	-1 272 533
Adjustment due to misclassification of translation differences *		-134 906			-134 906
Amortization during the year		-2 899 915	-2 666 552	-52 846	-5 619 313
Adjustment due to misclassification of amortization during the year *		-215 748			-215 748
Carrying amount 31.12.09	**45 889 905**	**9 934 171**	**10 387 743**	**10 200 675**	**76 412 493**
As of 31 December 2009					
Original cost	45 889 905	14 586 865	13 332 762	8 420 363	82 229 895
Adjustment due to misclassification*		810 299			817 945
Accumulated amortization	-	-5 263 666	-2 945 019	1 780 311	-6 428 374
Adjustment due to misclassification*		-199 327			-206 973
Carrying amount 31.12.09	**45 889 905**	**9 934 171**	**10 387 743**	**10 200 675**	**76 412 493**
2010 financial year					
Carrying amount 01.01.10	45 889 905	9 934 172	10 387 743	10 200 674	76 412 493
Additions		1 778 369	-	-	1 778 369
Translation differences		145 189	-	2 977	148 166
Impairment during the year		-442 964	-	-	-442 964
Amortization during the year		-3 448 474	-2 666 551	-54 829	-6 169 854
Carrying amount 31.12.10	**45 889 905**	**7 966 291**	**7 721 192**	**10 148 822**	**71 726 210**
As of 31 December 2010					
Original cost	45 889 905	17 620 994	13 332 762	10 418 683	87 262 344
Accumulated amortization and impairment		- 9 654 702	-5 611 570	-269 861	- 15 536 168
Carrying amount 31.12.10	**45 889 905**	**7 966 291**	**7 721 192**	**10 148 821**	**71 726 210**
Amortisation rate	**0%**	**20%**	**20%**	**0%**	

*- This is an adjustment due to misclassification of intangible assets as tangible in 2009. For more information see note 5. This misstatement does not have any impact on the 2008 financial statements.

Software impairment

During 2010 the software has been impaired by 442 964. This related to loan application software that Folkia used in Denmark in previous years. Some of the features of this software related to registration of customer's payments and web-based loan applications. Folkia incorporated this system in FOSS and during 2010 the group decided that this previous software has no value of use for the Group. As at 31.12.2010 this system is no longer in use by the Group as no updating possibilities exist for this software. Folkia is of the opinion that this software is not of value for other market participants. Both fair value and value in use is anticipated to be 0.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-flow generating units that are identified as the operations of the *Folkia Swedish Branch, Swedish Branch Danish Cash Generating Unit, Folkia AS Norway Finnish Branch*. Impairment tests have been carried out in accordance with the prerequisites stated in note 2.7.

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 management for a five-year period. Discount rates after tax of 11.5 % for *Folkia Swedish Branch*, 11.4 % for *Swedish Branch Danish Cash Generating Unit and* 11.5 % for *Folkia AS Norway Finnish Branch* have been used.

Cash flows in excess of the five-year period are extrapolated using a growth rate of 2.5 %. This growth rate does not exceed the long-term average growth rate in the markets in which Folkia operates.

Management does not believe that any changes in the assumptions on which the calculation of recoverable amounts is based will lead to the carrying value exceeding the recoverable amount.

7a Financial instruments by category

As of 31 December 2010	Lending and receivables	Assets measured at fair value through profit and loss (held for trading)	Available for sale	Total
Assets				
Financial assets available			77 928	77 928
Accounts receivable and	528 781			528 781
Microloans and other	75 142 528			75 142 528
Interest receivable	2 533 047			2 533 047
Deposits	1 666 897			1 666 897
Loans to DFK Holding				
Cash and cash equivalents	10 607 025			10 607 025
Total	**90 478 279**		**77 928**	**90 556 206**

As of 31 December 2010	Liabilities measured at fair value through profit and loss (held for trading)	Other financial liabilities at amortised cost	Total
Liabilities			
Loans (credit facility)		-	-
Accounts payable and		21 078 208	21 078 208
Total		**21 078 208**	**21 078 208**

As of 31 December 2009	Lending and receivables	Assets measured at fair value through profit and loss (held for trading)	Available for sale	Total
Assets				
Financial assets available			175 181	175 181
Accounts receivable and	542 914			542 914
Microloans and other	81 431 325			81 431 325
Interest receivable	2 366 819			2 366 819
Loans to DFK Holding	-			
Deposits	1 201 368			1 201 368
Cash and cash equivalents	32 688 370			32 688 370
Total	**118 230 796**		**175 181**	**118 405 977**

As of 31 December 2009	Liabilities measured at fair value	Other financial	Total
Liabilities			
Loans (credit facility)		- 35 667 016	- 35 667 016
Accounts payable and		-7 229 986	-7 229 986
Total		**-42 897 002**	**-42 897 002**

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.

	2010	2009
Accounts receivable		
Microloans and other receivable	75 142 529	81 431 325
Total accounts receivable	**75 142 528**	**81 431 325**

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.

	2010	2009
Bank deposits		
AA- (Nordea, SHB, Pohjala)	354 851	12 049 005
A+ (DnB NOR, Sampo Bank)	9 657 715	12 017 098
A (Swedbank, Danske Bank, Sampo)	588 482	3 642 321
A-1(SEB)	-	220 523
Cash/collateral etc.	5 977	4 759 424
Total bank deposits	**10 607 025**	**32 688 370**
Financial assets available for sale without an external credit rating		
SIP Nordic 100	77 928	175 181
	77 928	**175 181**

8 Financial assets available for sale

	2010	2009
Carrying amount 01.01	175 181	549 736
Acquisition of assets		175 181
Exchange rate difference	9 296	-49 854
Impairment	- 106 550	-499 882
Carrying amount 31.12	**77 928**	**175 181**
Of which classified as fixed assets	77 928	175 181
Of which classified as current assets	-	-

The financial assets that are available for sale consist of:

SIP Nordic 100	77 928	175 181

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

	2010	2009
SEK	77 928	175 181

The financial assets of shares were written down by NOK 106 550 in 2010 (499 882 in 2009). The structured product's value

9 Microloans and other receivables

	2010	2009
Microloans	86 344 476	107 242 495
Impairment due to probable losses on microloans	-12 957 938	-27 293 540
Net microloans	**73 386 537**	**79 948 955**
Other receivables	1 755 991	1 482 370
Total microloans and other receivables	**75 142 529**	**81 431 325**
Income accrued but not received	2 533 047	2 366 819
Pre-paid costs	2 297 943	842 043
Deposits	1 666 897	1 201 368
Cash and cash equivalents	10 607 025	32 688 370
Total current assets	**92 247 440**	**118 529 925**

Current assets

The carrying value of microloans and other receivables is equal their fair values.

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.

	2010	2009
Not fallen due	54 794 018	54 960 414
1 – 30 days after the due date	6 436 226	13 956 687
31 - 60 days after the due date	2 532 127	3 346 669
61 - 90 days after the due date	2 153 845	2 391 322
> 91 days after the due date	20 428 260	32 587 403
Total microloans	**86 344 476**	**107 242 495**

As of 31 December 2010, NOK 26 649 409 (-2 822 639 in 2009) in accounts receivable had been written down (impaired). The size of the provision was NOK 12 957 939 (2009: NOK 27 293 540) as of 31 December 2010.

Recognised value of the Group's microloans net of impairment allowance, per currency in NOK:

	2010	2009
SEK	54 197 859	52 775 347
NOK	-	308 191
EUR	14 670 125	17 962 324
DKK	1 238 846	4 226 915
EEK	3 279 707	4 376 825
Net microloans	**73 386 537**	**79 649 601**

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

	2010	2009
As at 1 January		
Provisions for the impairment of receivables	27 293 540	21 659 302
Provision during the year	22 268 101	19 976 755
Net receivables that have been written off as losses during the year	-35 369 252	-14 008 997
Reversal of unused amounts	-2 156 580	-
Currency translations	922 126	-333 520
As at 31 December	**12 957 938**	**27 293 540**

Provisions during the year for Monetti AS (former subsidiary within the Group) were previously presented net in the annual statements of 2009. Reclassifications of the amounts were made and currency translations reported separately for 2009 in these financial statements.

The impairment and reversal of impairment of accounts receivable are included in the losses on loans in the statement of comprehensive income . 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.

10 Cash and cash equivalents

	2010	2009
Cash and bank deposits	10 607 025	32 688 370
Short-term bank deposits	-	-
Total	**10 607 025**	**32 688 370**

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

	2010	2009
Cash and cash equivalents	10 607 025	32 688 370
Total	**10 607 025**	**32 688 370**

Of the bank deposits 2010 NOK 562 767 was restricted for payments of advance tax deductions.

11 Share capital and share premium

	No. of shares	Nominal share capital	Share premium	Total
Carrying amount 31.12.08	**12 031 150**	**60 155 750**	**73 999 898**	**134 155 647**
Contribution in kind (Acquisition of subsidiary)	5 265 592	26 327 960	-	26 327 960
Purchase of treasury shares	-52 742	-263 710	-	-263 710
Carrying amount 31.12.09	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**
Carrying amount 31.12.09	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**
Carrying amount 31.12.10	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**

The company has used own shares (treasury shares) in connection with the purchase of the subsidiary in Denmark, DFK Holding – closing January 09. As of 31 December 2010, the number of shares was 17 406 916 of which 162 916 are the company's own shares.

12 Retained earnings

As of 1 January 2009	**-13 826 861**
Currency translation difference	-347 793
Purchase of treasury shares	-259 344
Result for the year 2009	-1 240 245
Carrying amount 31.12.09	**-15 674 243**

As of 1 January 2010	**-15 674 243**
Currency translation difference	764 952
Purchase of treasury shares	-
Result for the year 2010	9 428 872
Carrying amount 31.12.10	**-5 480 419**

13 Accounts payable and other current liabilities

	2010	2009
Accounts payable	16 922 787	3 673 131
Govt. charges and special taxes	3 760 216	3 341 518
Holiday pay due	395 205	215 037
Total current liabilities	**21 078 208**	**7 229 686**
Income accrued but not received	4 511 526	4 630 957
Accrued expenses	3 392 950	3 618 064
Loans (credit facility)	-	35 667 016
Total	**28 982 684**	**51 145 723**

14 Loans

	2010	2009
Short-term loans		
Loans from credit institutions (credit facility) (1)	-	35 667 016
	-	35 667 016

(a) Loans from credit institutions

(1) The loan has a fixed interest rate of 7,75 % (7,.75% in 2009). The loan has no maturity date, security is provided in that an amount equal to 10% of the borrowed amount is in an escrow 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 reprising structure:

	2010	2009
6 months or less	-	-
6-12 months	-	-
1-5 years	-	-
More than 5 years	-	-
No agreed maturity date	-	35 667 016
Total loans	**-**	**35 667 016**

Carrying amount and fair value of loans:	**2010**	**2009**
Carrying amount		
Long-term loans	-	-
Credit facility with a credit institution	-	35 667 016
Total carrying amount	-	**35 667 016**
Fair value		
Long-term loans	-	-
Credit facility with a credit institution	-	35 667 016
Total fair value	-	**35 667 016**

The credit facility with a credit institution is linked to an agreement with Svea Ekonomi relating to the collection of microloans. The credit facility is provided at a fixed interest rate of 7.75% (7.75%). The fair value, ie, the relevant lending terms as of 31 December 2010, will be the same. The fair value of the loan is therefore the same as the carrying value.

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

	2010	2009
NOK	-	-
SEK	-	35 667 016
Total loans	-	**35 667 016**

The Group has the following unutilised borrowing facilities:

	2010	2009
Fixed interest rate – No expiry date agreed on (SEK)	**43 824 833**	**3 034 795**

The facilities which expire within one year are annual facilities that must be renewed on various dates in 2011.

15 Pensions and similar liabilities

	2010	2009
Statement of financial position - liability:		
– Pension benefits		
	-	989 067
Costs charged to the statement of comprehensive income		
– Pension costs	**1 316 018**	**745 796**

In Norway and Finland, the minimum defined contribution pensions (compulsory company pensions) are paid as they become due. In Sweden the costs for agreed pension contribution plans are determined upon individual agreements between the Group and the individual employee. Denmark and Estonia has no pension cost or pension benefits.

The pension liability is 0 in 2010 because the Group has settled the liability.

As part of their salary contracts, the Group's managers have the opportunity to enter into 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.

16 Wages and salaries

	2010	2009
Salaries	24 690 703	14 932 005
Employers' national insurance contributions	5 550 477	3 582 509
Pension costs – the year's provisions for defined contribution based pension schemes	1 316 018	800 414
Other benefits	2 317 976	2 302 700
	33 875 173	**21 617 629**
No. of employees	**32**	**26**

17 Other operating expenses

	2010	2009
Rental expenses	2 577 112	3 668 743
Marketing	19 764 488	14 498 496
Administrative and other expenses	32 099 289	37 092 874
Total other operating expenses	**54 440 890**	**55 260 113**

18 Financial income and expenses

	2010	2009
Interest income –bank deposits	27 931	70 045
Other interest income	18 091	484 690
Gain derivatives	-	7 035 935
Other currency gain	3 272 256	125 871
Interest expenses	-4 914 140	-3 548 546
Change in the fair value of financial derivatives	-	-48 263
Other currency lost	-1 291 241	-8 619 660
Net financial items	**-2 887 103**	**-4 499 926**

The following amounts was reported in the statement of cashflows as adjustments for realized amounts:

	2010
Interest income –bank deposits	1 231
Other interest income	-800
Other currency gain	98 954
Interest expenses	-2 459 781
Other currency lost	-286 363
Net financial items	**-2 646 758**

19 Tax – Deferred tax – Deferred tax assets

Tax:

	2010	2009
Tax payable	2 324 292	1 335 316
Correction deferred tax 2009	1 815 902	-
Change deferred tax due to branchification	-4 694 043	-
Change in deferred tax	-14 562 332	576 272
Total tax on result	**-15 116 181**	**1 911 588**
Total tax including OCI	**-15 116 181**	**1 911 588**

	2010	2009
Tax payable for the year	2 324 292	1 335 316
Total tax payable	**2 324 292**	**1 335 316**

Reconciliation of the effective tax rate:

	2010	2009
Result before tax including OCI	-4 922 357	599 135
Tax calculated at 28%	-1 378 260	-22 870
This year's deficit without deferred tax assets	357 551	1 492 833
Use of loss carried forward that has not previously been recognized in the accounts	-	-398 815
Non-deductible costs	849 835	1 804 427
Effects of different tax rates	-293 788	-
Not taxable income	-11 773 378	-963 987
Tax	**-12 238 041**	**1 911 588**
Correction deferred tax 2009	1 815 902	-
Change deferred tax due to branchification	-4 694 043	-
Tax in the statement of comprehensive income	**-15 116 181**	**1 911 588**

Deferred tax and deferred tax assets and specification of the tax effect of temporary differences and losses carried forward:

		31 December
	2010	**2009**
Deferred tax assets		
Income Adjustment according to IFRS	-	376 764
Loss carried forward	11 425 211	4 801 884
Receivableles	-	97 948
Intangible assets	5 961 450	-
Other	-	335 064
Deferred tax assets	**17 386 661**	**5 611 660**
Deferred tax liability		
Intangible assets	-	5 890 042
Receivables	-	1 591 332
Deferred tax liability - gross	**-**	**7 481 374**
Deferred tax liability - net	**17 386 661**	**-1 869 714**

Deferred tax assets are capitalized based on future income.

Folkia AB has a previous loss to be carried forward that has not been taken into account when calculating the deferred tax assets. A requirement has been stipulated for Folkia AB to be converted into a branch in 2010 and the remaining loss can thus not be carried forward.

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

During 2010 the operations in the subsidiaries in Estonia, Finland, Denmark and Sweden are transferred to Folkia AS. The operations are transferred to newly established branches of Folkia AS in the various countries.

The transfers of assets and liabilities to the branches are done in accordance with the continuity principle for tax purposes in each country. For Norwegian tax purposes, the transferred operations (assets and liabilities) are assessed at fair value at the time of transfer. This causes an increased tax basis of depreciation of the assets of Folkia AS, inclusive of Goodwill, and results in an increase in deferred tax assets.

20 Liabilities

a) Guarantees and charges:

Folkia has no guarantees or charges in 2010.

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

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

	2010	2009
Due date within 1 year	2 202 374	1 842 989
Due date between 1 and 5 years into the future	3 718 715	1 048 813
Due date more than 5 years into the future	-	-
Total future minimum lease payments	**5 921 089**	**2 891 803**

The future total minimum payments are not presented on a net present value.

The Group's operating leases are in Sweden, Finland and Norway, consisting of premises- and support agreements. The most material future payments consist of office rental and can be renewed for 3 years at a time with a 9 month period of notice. As at 31.12.2010 the total of deposits for office rental is NOK 694 236. The total minimum payments are gross figures (no deduction for deposits).

21 Business combinations

Acquisition of Dansk Finansieringskompagni ApS

In accordance with an 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 Finanstilsynet (the Financial Supervisory Authority of Norway) on 21 October 2008.

An advance payment of NOK 6 053 652 was made in 2008. The advance payment was recognised in the financial statements at its fair value when paid and subsequently measured at amortised cost.

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 acquisition has been accounted for in the consolidated financial statements as per 1 January 2009. Closing date was set on date of the final agreement in January 2009.

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

Cash payment	-
Direct acquisition costs	1 096
Fair value of issued shares	6 054
Original cost	7 149
Book equity 1 January 2009 (negative)	3 479
Fair value adjustment on acquired net assets	10 628

The assets and liabilities linked to the acquisition closed in January 2009 are as follows
Figures in NOK 1 000

	Fair value	The acquired company's carrying amounts
Cash and cash equivalents	780	780
Tangible fixed assets	1 152	1 152
Customer relationships	1 724	-
Trademarks/brands	592	-
Scoring model	-	-
Software	-	-
Net working capital	6 914	6 914
Fair value of net assets	**11 162**	**8 846**
Goodwill	8 311	-
Goodwill (workforce)	-	-
Goodwill (deferred tax identifiable intangible assets)	648	
	20 121	8 486
Deferred tax	- 648	-
Liabilities	**- 12 325**	**- 12 325**
Acquired net assets	7 148	-3 479
Fair value adjustment	10 629	-
Cash payment on the acquisition	-	-

Allocation of added value paid	
Goodwill	8 960
Trademarks/brands	593
Software / scoring model	1 724
Less deferred tax on identified intangibles	-648
Fair value adjustment	**10 629**

Goodwill is assigned to Dansk Finansieringskompagni's 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.

Goodwill and trademarks are not subject to amortisation but are tested for impairment and impaired if the values are not sustained through testes based on budgets and forecasts approved by management.

The result for 2009 from Dansk Finansieringskompagni shows a loss before tax of KNOK 4 536.

Acquisition of Monetti Oy

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 (through a wholly owned subsidiary).

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.

Moreover it was agreed in the SPA that the shareholders of Monetti were paid a dividend of € 596 376 prior to the closing of the acquisition.

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 Finanstilsynet (the Financial Supervisory Authority of Norway) on 29 October 2008.

The acquisition has been accounted for in the consolidated financial statements as per 1 January 2009. Closing date was set on date of the final agreement in January 2009.

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

- Cash payment	2 632
- Direct acquisition costs	4 800
Fair value of issued shares	26 328
Original cost	33 760
Book equity 1 January 2009 – subsequent to payment of dividend	9 541
Fair value adjustment on acquired net assets	**24 219**

The assets and liabilities linked to the acquisition closed in January 2009 are as follows:
(Figures in NOK 1 000)

	Fair value	The acquired company's carrying amounts
Cash and cash equivalents	7 098	7 098
Tangible fixed assets	52	52
Customer relationships	10 290	-
Trademarks/brands	1 386	-
Software	5 500	5 500
Net working capital	2 791	2 791
Fair value of net assets	**27 117**	**15 441**
Goodwill	11 025	-
Goodwill (workforce)	1 518	-
Goodwill (deferred tax identifiable intangible assets)	3 269	
	42 929	15 441
Deferred tax	- 3 269	
Liabilities	**-1 933**	**-1 933**
Agreed dividend to previous shareholders	**-5 900**	**-5 900**
Acquired net assets	**31 827**	**7 608**
Fair value adjustment	**24 219**	
Cash payment on the acquisition	**2 632**	

Allocation of added value paid	
Goodwill	17 745
Customer Relationship	10 290
Trademarks/brands	1 386
	29 420
Less deferred tax on identified intangibles	-3 269
Fair value adjustment	**26 152**

Goodwill is assigned to Monetti's 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 carrying value of software and licences was approximately NOK 2million lower than fair values identified in the analyses.

Goodwill and trademarks are not subject to amortisation but are tested for impairment on an annual basis and impaired if the values are not sustained through testes based on budgets and forecasts approved by management.

The acquisition of Monetti was settled in January 2009 and values (shares and cash) calculated at an exchange rate of NOK 9.76 per Euro. As of 31 December 2009 the exchange rate is NOK 8.315 per Euro. On the investment changes in currency approximate NOK 2 million included in currency effects.

Currency adjustments are charged directly to other comprehensive income.

The result for 2009 from Monetti shows a profit before tax of KNOK 8 659.

22 Related parties

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

Interactive á Íslandi and Xtarola Limited
Owned by the former Chairman of the board, present CEO and main shareholder Hördur Bender.

Viadella Investment OÜ
The former owner of DFK Holding AS, the owner of Dansk Finansieringskompagni ApS (DFK).

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):	**2010**	2009
Interactive á Íslandi	1 250	251
Viadella Investments OÜ	-	116
Xtarola Limited	-	844
Total	**1 250**	**1 211**

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

The agreement for purchasing of services from Interactive à Ìslandi relates to the consultancy services from Höldur Bender. Höldur Bender has the position of CEO as at the date of issuing these financial statements. These consultancy services relates to M&A activities, managing new and existing markets in Norway, Finland and Baltic geographical areas as, and assist management on operating, marketing and strategic decisions. There are no guarantees given or received between Folkia and Interactive à Ìslandi and there are no outstanding accounts as at 31.12.2010 in the statements of the financial position.

c) Remuneration to senior employees

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

	2010	2009
Salaries and other short-term employee benefits	13 685	6 373
Severance pay	-	-
Pension benefits *	457	351
Other long-term benefits	-	-
Share-based remuneration	-	-
Total	**14 142**	**6 724**

Specification of remuneration to senior employees

Name	2010 Salary and other	Pension	2009 Salary and	Pension
Per Spångberg, CEO	3 594	-	1 531	-
Other Management	7 296	330	2 315	133
Subtotal Sweden in SEK	**10 890**	**330**	**3 846**	**133**
Average exchange rate	0,8403	0,8403	0,8222	0,8222
Subtotal Sweden in NOK	**9 151**	**277**	**3 162**	**109**
Other Management	-	-	-	9
Subtotal Finland in EUR	-	-	-	9
Average exchange rate	8,064	8,064	8,7285	8,7285
Subtotal Finland in NOK	**-**	**-**	**-**	**79**
Other Management and employees in Folkia AS	3 484	180	1 932	163
Board members	850		1 079	-
Control Committee	200		200	-
Subtotal Norway	**4 534**	**180**	**3 211**	**163**
Total	**13 685**	**457**	**6 373**	**351**

The Group has one other commitment linked to a former employee who is a related party as at 31.12.2010. This commitment concerns a termination agreement which benefits the former employee with the amount of SEK 131 421 (637 250 in 2009) excluding social costs. The amount is to be paid out during 2011.

d) Statement of financial position items resulting from the purchase and sale of goods and services

There was no purchase or sale of goods or services with related parties in 2009 or 2010.

e) Loans to related parties

	2010	2009
Loans to the group management (and their families):		
Carrying amount 01.01	**551 594**	**770 663**
Loans granted during the year		-
Loans repaid during the year		-240 000
Retirement from management group	-150 000	
Interest income	13 536	20 962
Interest received		-
Carrying amount in SEK	**415 126**	**551 594**
SEK/NOK exchange rate 31.12	0,8707	0,8099
Carrying amount 31.12	**361 451**	**446 736**

Loans to associates in 1000 NOK		
Carrying amount 01.01	**11 660**	**11 660***
Loans granted during the year		-
Loans settled due to branchification	-11 660	-
Interest income		-
Interest received		-
Loans, reclassified as intercompany loans		-11 660
Carrying amount 31.12	**-**	**-**

* The above loan was payable to Dansk Finansieringskompagni ApS, a company in which Folkia AS gained full control over all the shares in January 2009.

The loans to the group management are on the following terms and conditions:
It has not been necessary to make provisions for losses on loans to directors, senior employees and associates in

f) Fees to auditors and other related costs

	2010	2009
Statutory audit	1 415 491	1 352 042
Other assurance services	139 016	-
Tax advice	13 845	-
Other services	219 765	802 733
Total	**1 788 117**	**2 154 775**

Fees include VAT.

23 Events after the end of the reporting period

Shareholders in Folkia AS signed an agreement with the US company Dollar Financial Group (DFG) for sale of shares in Folkia group in 2010. This agreement was unilaterally terminated by the vendors in 1st quarter 2011, since DFG was reluctant to finalize the transaction by the end of the year. Considerable efforts were made by Folkia`s management to facilitate this agreement and potential actions are against DFG may be considered.

Folkia went through reorganization of the management group. The reorganization is going to achieve a flat organizational structure lead to improved decision-making processes. The costs of the reorganization process are estimated at approximately MNOK 7 and will be charged as an expense in 2011.

No other material events have occurred after statement of financial position date.

24 Permits and conditions

Folkia AS has been given permits by Finanstilsynet (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 assumed that an application to establish a branch office in the respective countries would be submitted within six months and that the operations would be transferred to the respective branch offices.

Folkia went through process of branchification in 2010 and operations are now managed through branches of Folkia instead of subsidiaries.

25 Share capital and shareholder information

The share capital in the parent company as of 31 December 2010 consists of:

	No. of shares	Nominal value	Book value
Shares	17 406 916	5	87 034 580
Total	**17 406 916**	**5**	**87 034 580**

All the shares have equal voting rights.

The largest shareholders in the company as of 31 December 2010	**Shares**	**Ownership share**
INTERACTIVE A ISLANDI EHF	1 753 095	10,1 %
BRENNEN CONSULTING LIMITED	1 740 800	10,0 %
CNHL LTD	1 740 692	10,0 %
LANDSYN EHF	1 301 974	7,5 %
SVEINSSON EINAR EINAR	1 214 100	7,0 %
INCOREBANK AG	833 000	4,8 %
UBS (LUXEMBOURG) S.A.	606 409	3,5 %
CLEARSTREAM BANKING S.A.	601 500	3,5 %
NEBRASKA INVEST OY	496 356	2,9 %
CLEARSTREAM BANKING S.A.	486 500	2,8 %
SIX SIS AG	433 320	2,5 %
PAATERO ILKKA ARTO TAPANI	381 637	2,2 %
FÖRETAGSBYGGARNA BUSINESS BUILDERS	288 943	1,7 %
FIVADO AS	282 787	1,6 %
PEAKSTATE EXAM LTD	278 719	1,6 %
HIETALA MATTI JUHANI	248 064	1,4 %
MARTTINEN MIKKO JUHANI	245 528	1,4 %
BERASCO LIMITED	242 869	1,4 %
OÜ VIADELLA INVESTMENTS	242 826	1,4 %
DYVI JAN ERIK	200 500	1,2 %
Shareholders with at least 1,2 % ownership	**13 619 619**	**78,2 %**
Own shares, FOLKIA AS	110 174	0,6 %
Own shares , FOLKIA AB	52 742	0,3 %
Remaining ownerships	**3 624 381**	**20,8 %**
Number of shareholders:	**79**	
Number of shares:	**17 406 916**	**100 %**

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

Name	**Position**	**Shares**
Hördur Bender (1)	CEO	1 753 095
Leif Bernhard Bjørnstad (2)	Director	192 097
Finn Terje Schøyen (3)	Chairman of the Board	184 432
Stig Magnus Herbern (4)	Director	25 000
Eilif Bjerke	Director	49 000
Nils Otto Nielsen	Director	36 600
Petri Ari-Pekka Kanervo (5)	Director	496 356
Total		**2 736 580**

(1) Hördur Bender owns shares indirectly through INTERACTIVE A ISLANDI EHF.
(2) Leif Bernhard Bjørnstad owns shares indirectly through SMÅFINANS AS.
(3) Finn Terje Schøyen owns shares indirectly through SCHØYEN INDUSTRIER AS.
(4) Stig Magnus Herbern owns shares indirectly through SMH MANAGEMENT A/S.
(5) Petri Ari-Pekka Kanervo owns shares indirectly through NEBRASKA INVEST OY.

26 Capital adequacy

Capital adequacy 31 December (Group)

Equity and subordinated loan capital

	2010	2009
Share capital	86 220 000	86 220 000
Other equity	68 519 479	58 325 655
Equity	**154 739 479**	**144 545 655**
Deductions:		
Intangible assets	-71 726 209	-75 801 550
Deferred tax assets	-17 386 661	-5 611 660
Core capital	**65 626 609**	**63 132 445**
Net equity and subordinated loan capital	**65 626 609**	**63 132 445**

Minimum requirement equity and subordinated loan capital

	2010	2009
Credit risk		
Of which:		
Institutions	-	-
Mass market commitments	5 181 000	6 040 720
Commitments that have fallen due	1 555 000	2 487 520
Other commitments	449 000	562 320
Total minimum requirement credit risk	**7 185 000**	**9 090 560**
Settlement risk	-	-
Foreign exchange risk	6 688 000	4 803 053
Total minimum requirement market risk	**6 688 000**	**4 803 053**
Operational risk	**8 269 344**	**4 980 975**
Minimum requirement equity and subordinated loan capital	**22 142 344**	**18 874 588**
Capital adequacy		
Capital adequacy ratio	23,7 %	26,8 %
Core capital adequacy ratio	23,7 %	26,8 %

The capital adequacy has been calculated in accordance with new capital requirement regulations, Basel II.

27 Other income

Other income of NOK 5 709 103 arise from branchification process of Monetti AS (Estonia) and Monetti OY (Finland).

Financial Statements

Folkia AS

2010

Folkia AS
Income Statement

NOTE	INTEREST AND CREDIT COMMISSION INCOME	2010	2009
	Interest income and similar incomes		
	Interest and similar income from loans to and receivables due from credit institutions	117 216	66 702
	Interest and similar income on loans to and receivables due from customers	91 239 863	269 200
	Other interest income and similar incomes	300 391	6 310 967
	Total interest and similar income	91 657 469	6 646 869
	Interest expenses and similar expenses		
	Other interest expenses and similar expenses	-2 017 822	-53 500
	Total interest expenses and similar expenses	-2 017 822	-53 500
	Net interest and credit commission income	89 639 647	6 593 369
	Net change in value and gain/loss on currencies and securities that are current assets		
	Net change in value and gain/loss on shares, currencies and financial derivatives	2 867 507	7 035 936
	Total net change in value and gain/loss on currencies and securities that are current assets	2 867 507	7 035 936
	Total other operating revenues	2 867 507	7 035 936
	OTHER OPERATING EXPENSES		
	Salaries and general administrative expenses		
3	Salaries, etc	-33 545 993	-4 544 589
	Total salaries and general administrative expenses	-33 545 993	-4 544 589
	Depreciation, etc, of tangible fixed assets and intangible assets		
4,5	Ordinary depreciation	-8 760 550	-376 250
	Total depreciation, etc, of tangible fixed assets and intangible assets	-8 760 550	-376 250
	Impairment on tangible and intangible assets		
5	Impairment on tangible and intangible assets	-442 964	0
	Total Impairment on tangible and intangible assets	-442 964	0
	Other operating expenses		
18	Other operating expenses	-54 332 591	-8 465 355
	Total other operating expenses	-54 332 591	-8 465 355
	Total depreciation and other operating expenses	-97 082 098	-13 386 194
	Losses on loans, guarantees, etc		
15	Losses on loans	-13 327 208	180 166
	Total losses on loans, guarantees, etc	-13 327 208	180 166
	Result on ordinary operations before tax	-17 902 152	423 277
17	Tax on result on ordinary operations	20 978 560	-124 508
	RESULT FOR THE YEAR	3 076 408	298 769
	TRANSFERS AND ALLOCATIONS		
8	Transferred to (from) other equity	-3 076 408	-298 769
	Total transfers and allocations	-3 076 408	-298 769

Folkia AS
Balance sheet at 31 December

NOTE	ASSETS	2010	2009
	Loans to and receivables from credit institutions		
10,11	Loans to and receivables from credit institutions without an agreed term or cancellation period	10 600 794	2 134 913
	Total net loans to and receivables from credit institutions	10 600 794	2 134 913
	Other assets		
10,11,16	Receivables	8 598 181	75 690 424
	Total other assets	8 598 181	75 690 424
	Loans to and receivables from customers		
10,11,15	Repayment loans	86 344 477	658 006
10,11,15	Loss reserves	-12 957 938	-349 815
	Total net loans to and receivables from customers	73 386 538	308 191
	Total current assets	92 585 514	78 133 528
	Ownership interests in group companies		
6	Shares in group companies	2 948 097	69 814 960
	Ownership interests in other investments	77 928	0
	Total ownership interests in group companies and other investments	3 026 024	69 814 960
	Intangible assets		
17	Deferred tax assets	22 927 443	4 899 832
5	Intangible assets	58 876 616	1 218 750
	Total intangible assets	81 804 059	6 118 582
	Tangible assets		
	Tangible assets	1 755 144	0
	Total Tangible assets	1 755 144	0
	Total non- current assets	86 585 227	75 933 542
	TOTAL ASSETS	**179 170 741**	**154 067 070**

Folkia AS
Balance sheet at 31 December

NOTE	EQUITY AND LIABILITIES	2010	2009
	Liabilities		
	Non- current liabilities		
17	Deferred tax liability	0	0
	Total non- current liabilities	0	0
	Current liabilities		
19	Other liabilities	26 848 657	2 313 680
	Total current liabilities	26 848 657	2 313 680
	Total liabilities	**26 848 657**	**2 313 680**
	Equity		
	Equity contributed		
7,8	Share capital	87 034 580	87 034 580
7,8	Own shares	-814 580	-550 870
8	Share premium account	74 614 565	74 614 565
	Total equity contributed	**160 834 565**	**161 098 275**
	Retained earnings		
	Total retained earnings	-8 512 481	-9 344 885
	Total equity	**-8 512 481**	**-9 344 885**
		152 322 084	**151 753 390**
	TOTAL EQUITY AND LIABILITIES		
		179 170 741	**154 067 070**

Oslo, 30th May 2011
The Board of Folkia AS

Hördur Bender
CEO

Finn Terje Schøyen
Chairman of the Board

Leif Bernhard Bjørnstad

Stig Magnus Herbern

Nils Otto Nielsen

Eilif Bjerke

Petri Ari-Pekka Kanervo

Folkia AS

Notes to the accounts, year ended 31 December 2010

Note 1 Accounting policies

Folkia AS was founded at 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.

Establishment of branches
Folkia went through a process of branchification in 2010 and operations are now managed through branches of Folkia instead of subsidiaries. The transaction was accounted for applying carrying values of the assets and liabilities transferred. Group carrying amounts have being adjusted to reflect the results and financial posisiton of the branches in accordance with the Norwegian Accounting Act and not IFRS (that is used in reporting of consolidated financial statements) in these financial statements. Amortization of intangible assets was therefore also adjusted as if NGAAP had been applied since the date of acquisition of the businesses.

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 recognized 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 recognized 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 recognized in the balance sheet at their original cost. Intangible assets acquired when a company is bought are recognized 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 amortized 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.

Leasing agreements
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.

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

Income and expense recognition
Interest and commissions are recognized 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 recognized 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 amortized cost determined using the effective interest rate method (simplified) minus provisions for incurred losses.

All of the loans sent for debt collection are recognized 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 recognized 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 Prior year comparison numbers

In 2010 the company was a subject to branchification process where several subsidiaries of Folkia AS became branches of the company.
Since branches are considered to be part of the legal entity, Folkia AS, there are some difficulties due to comparison of 2009 and 2010 numbers in financial statements of the company.

In this financial statements as at 31.12.2010, prior years comparison numbers of 2009 are related to Folkia AS as a single juridical subject, and 2010 includes both Folkia AS as a juridical subject as well as its branches in Sweden, Denmark, Estland and Finland. In 2009 these branches was considered to be independent juridical subjects and was reported on a single unit basis.

Note 3 Payroll costs, number of employees, allowances, loans to employees, etc

Payroll costs	2010	2009
Wages and salaries	24 162 114	3 723 846
Social security tax	5 708 404	481 440
Pension costs	1 263 692	168 391
Recruitment and other social benefits	2 411 782	170 912
Total	**33 545 993**	**4 544 589**

The amounts include salaries to senior employees.

Number of man-years employed during the financial year	32,5	2
Number of employees	32	2

In Norway and Finland, the minimum defined contribution pensions (compulsory company pensions) are paid as they become due. In Sweden the costs for agreed pension contribution plans are determined upon individual agreements between the Group and the individual employee. Denmark and Estonia has no pension cost or pension benefits.

Directors' remuneration	Salaries, fees	Pensions	Other benefits
General manager (CEO)	2 934 527	-	86 071
Chairman of the Board	250 000	-	-
Members of the Board	600 000	-	408
Credit Committee	41 737	-	-
Control Committee	200 000	-	-
Other leading officers	9 430 363	457 299	216 466
Total	**13 456 627**	**457 299**	**302 945**

Since Folkia AS had the branchification process in 2010, the salary for other leading officers is now a part of the financial statements of Folkia AS. Other leading officers had their salary in 2009 in respective subsidiaries.

As at 31.12.2010 there is no loans, or guarantees given to the managing directors, CEO, CFO or other leading officers, except from 3 loans to these shareholders:

Loans and guarantees to Chief Executive, Directors, Shareholders etc.

		Loan/ Guarantees	Amount	Interest rate	Scheduled payment(s)
Shareholder	Madeleine Astell	Loan	120 483	Government loan + 1%	-
Shareholder	Marcus Lindstrøm	Loan	150 604	Government loan + 1%	-
Shareholder	Nickolaus Karlsson	Loan	240 967	Government loan + 1%	-

These loans are to be paid in the same ratio that disposals of shares shareholders have in their possession. Rents on these loans accumulates on each loan.

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

Interactive á Íslandi
Owned by the former chairman of the board, present CEO 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.

Xtarola Limited
Owned by the former chairman of the board, present CEO and main shareholder Hördur Bender.

Purchase of goods and services from related parties	2010	2009
Interactive á Islandi (inc. VAT)	1 250 000	251 250
Viadella Investments OÜ	-	116 091
Xtarola Limited	-	843 750
Total	**1 250 000**	**1 211 091**

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

Auditor
Remuneration to Deloitte AS and their associates is as follows:
Numbers are included VAT.

	2010	2009
Statutory audit	1 415 491	700 000
Other assurance services	139 016	294 375
Tax counseling	13 845	-
Other non-assurance services	219 765	421 250
Total	**1 788 117**	**1 415 625**

Note 4 Tangible fixed assets

2010 financial year	**Machinery, fixtures, fittings and vehicles**
Carrying amount 01.01.09	**0**
Additions due to branchification process	1 900 549
Additions	489 055
Effect of foreign currency exchange differences	133 990
Disposals	0
Depreciation during the year	-768 451
Carrying amount 31.12.2010	**1 755 144**
As at 31 December 2010	
Original cost	2 549 973
Accumulated depreciation	-794 829
Carrying amount 31.12.2010	**1 755 144**

Depreciation is charged on a straight-line basis. Estimated useful life is between 3 and 5 years.

Note 5 Intangible assets

	Goodwill	Software (including scoringmodell and licenses)	Customer relationships	Trademarks	Total
Original cost 01.01.2009		**1 875 000**			**1 875 000**
Original cost 31.12.2009		**1 875 000**			**1 875 000**
Accumulated depreciation 01.01.2009		**-280 000**			**-280 000**
Depreciation during the year		-376 250			-376 250
Accumulated depreciation 31.12.2009		**-656 250**			**-656 250**
Carrying amount 31.12.09		**1 218 750**			**1 218 750**
Useful life	**10**	**5**	**5**	**20**	
Original cost 01.01.2010	**-**	**1 875 000**	**-**	**-**	**1 875 000**
Additions due to branchification	**45 889 905**	**13 916 947**	**13 332 762**	**10 418 683**	**83 558 297**
Swedish branch	21 117 972	8 637 421	1 319 052	8 440 199	39 514 643
Danish branch	8 959 612		1 724 220	592 484	11 276 316
Finnish and Estonian branch	15 812 321	5 279 526	10 289 490	1 386 000	32 767 337
Additions	-	1 778 369	-	-	1 778 369
Translation differences	-	50 678	-	-	50 678
Original cost 31.12.2010	**45 889 905**	**17 620 994**	**13 332 762**	**10 418 683**	**87 262 344**

Accumulated depreciation 01.01.2010	**-**	**-656 250**	**-**	**-**	**-656 250**
Additions due to branchification	**-7 843 218**	**-5 856 262**	**-4 281 243**	**-1 252 232**	**-19 232 955**
Swedish branch	-4 339 308	-3 129 997	-542 277	-1 108 311	-9 119 894
Danish branch	-895 961		-344 844	-29 624	-1 270 429
Finnish and Estonian branch	-2 607 949	-2 726 264	-3 394 122	-114 297	-8 842 632
Depreciation during the year	**-3 562 272**	**-2 637 768**	**-1 330 327**	**-461 732**	**-7 992 099**
Finnish and Estonian branch	-554 514	-458 385	-721 673	-24 302	-1 758 874
Danish branch	-895 961		-344 844	-29 624	-1 270 429
Swedish branch	-2 111 797	-1 804 383	-263 810	-407 806	-4 587 796
Norway	-	-375 000	-	-	-375 000
Impairment during the year	**-**	**-442 964**	**-**	**-**	**-442 964**
Translation differences	-	-61 459	-	-	-61 459
Accumulated depreciation and impairment losses 31.12.2010	**-11 405 490**	**-9 654 704**	**-5 611 570**	**-1 713 964**	**-28 385 728**
					-
Carrying amount 31.12.10	**34 484 415**	**7 966 291**	**7 721 192**	**8 704 718**	**58 876 616**

Software impairment
During 2010 the software has been impaired for 442 964. This related to loan application software that Folkia used in Denmark in previous years. Some of the features of this software were ability for registration of customer's payments and web-based loan applications. Folkia incorporated this system in FOSS and during 2010 the group decided that this previous software has no value of use for the Group. As at 31.12.2010 this system is no longer in use by the Group and there exist no updating possibilities for this software. Folkia has the opinion that this software is not of value for other market participants. Both fair value and value in use anticipates to be 0.

Impairment tests for goodwill
Goodwill is allocated to the Group's cash-flow generating units that are identified as the operations of the Folkia Swedish Branch, Swedish Branch Danish Cash Generating Unit, Folkia AS Norway Finnish Branch. Impairment tests have been carried out in accordance with the prerequisites stated in note 1.

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 after tax of 11,5 % for Folkia Swedish Branch, 11,4 % for Swedish Branch Danish Cash Generating Unit and 11,5 % for Folkia AS Norway Finnish Branch have been used.

Cash flows in excess of the five-year period are extrapolated using a growth rate of 2.5 %. 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.

Note 6 Subsidiary

Company	Date of acquisition	Consolidated (yes/no)	Registered office	Voting share	Ownership share
Folkia AB	Dec 2007	Yes	Stockholm	100 %	100 %
Dansk Finansierings-kompagni ApS	Jan 2009	Yes	Copenhagen	100 %	100 %
DFK Holding ApS	Jan 2009	Yes	Copenhagen	100 %	100 %

Company	Equity (carrying amount) as at 31.12.2010	Last annual result as at 31.12.2010
Folkia AB	6 084 616	-2 444 542
Dansk Finansierings-kompagni ApS	-6 531 808	-34 200
DFK Holding ApS	-28 085	-9 960

Folkia AS had two more subsidiaries in comparison with 2009. Fully owned subsidiaries Monetti AS in Eastland and Monetti OY in Finland was eliminated in 2010 during the branchification process. The subsidiaries above are to be eliminated during 2011.

Note 7 Share capital and shareholder information

The share capital in the company at 31 December 2010 consists of the following classes:

	Number	Nominal value	Book value
Shares	17 406 916	5	87 034 580
Total	**17 406 916**		**87 034 580**

All the shares have equal voting rights.

Ownership structure
Largest shareholders as of 31 December 2010:

	Share	Ownership share	Voting share
INTERACTIVE A ISLANDI EHF	1 753 095	10,1 %	10,1 %
BRENNEN CONSULTING LIMITED	1 740 800	10,0 %	10,0 %
CNHL LTD	1 740 692	10,0 %	10,0 %
LANDSYN EHF	1 301 974	7,5 %	7,5 %
SVEINSSON EINAR EINAR	1 214 100	7,0 %	7,0 %
INCOREBANK AG	833 000	4,8 %	4,8 %
UBS (LUXEMBOURG) S.A.	606 409	3,5 %	3,5 %
CLEARSTREAM BANKING S.A.	601 500	3,5 %	3,5 %
NEBRASKA INVEST OY	496 356	2,9 %	2,9 %
CLEARSTREAM BANKING S.A.	486 500	2,8 %	2,8 %
SIX SIS AG	433 320	2,5 %	2,5 %
PAATERO ILKKA ARTO TAPANI	381 637	2,2 %	2,2 %
FÖRETAGSBYGGARNA BUSINESS BUILDERS	288 943	1,7 %	1,7 %
FIVADO AS	282 787	1,6 %	1,6 %
PEAKSTATE EXAM LTD	278 719	1,6 %	1,6 %
HIETALA MATTI JUHANI	248 064	1,4 %	1,4 %
MARTTINEN MIKKO JUHANI	245 528	1,4 %	1,4 %
BERASCO LIMITED	242 869	1,4 %	1,4 %
OÜ VIADELLA INVESTMENTS	242 826	1,4 %	1,4 %
DYVI JAN ERIK	200 500	1,2 %	1,2 %
Total shareholders with minimum 1% ownership	**13 619 619**	**78,2 %**	**78,2 %**
Own shares, FOLKIA AS	110 174	0,6 %	0,6 %
Own shares, FOLKIA AB	52 742	0,3 %	0,3 %
Total remaining shareholders	3 624 381	21 %	21 %
Total number of shares	**17 406 916**	**100 %**	**100 %**

Shares and options held by members of the board and the managing director/CEO:

Name	Title	Shares
Hördur Bender (1)	CEO	1 753 095
Leif Bernhard Bjørnstad (2)	Director	192 097
Terje Finn Schøyen (3)	Chairman of the Board	184 432
Stig Magnus Herbern (4)	Director	25 000

Eilif Bjerke	Director	49 000
Nils Otto Nielsen	Director	36 600
Petri Ari-Pekka Kanervo (5)	Director	496 356

(1) Hördur Bender owns shares indirectly through INTERACTIVE A ISLANDI EHF.
(2) Leif Bernhard Bjørnstad owns shares indirectly through SMÅFINANS AS.
(3) Terje Finn Schøyen owns shares indirectly through SCHØYEN INDUSTRIER AS.
(4) Stig Magnus Herbern owns shares indirectly through SMH MANAGEMENT A/S.
(5) Petri Ari-Pekka Kanervo owns shares indirectly through NEBRASKA INVEST OY.

Note 8 Equity

Paid in equity	Share capital	Share premium	Other equity	Total equity contributed
Equity at 1 January 2010	**86 483 710**	**74 614 565**	**-9 344 885**	**151 753 390**
This year's change in equity:				-
Purchase/sale of own shares	-263 710		-298 611	-562 321
This year's change in equity:				
Addition due to conversion of Folkia AB to Swedish Branch			-2 980 497	-2 980 497
Addition due to conversion of Dansk Finansieringskompagni			2 313 284	2 313 284
Addition due to conversion of Monetti OY to Finnish branch			-2 090 385	-2 090 385
Addition due to conversion of Monetti AS to Estonian branch			652 508	652 508
Profit/(loss) of the year			3 076 408	3 076 408
Translation differences			159 697	159 697
Equity at 31 December 2010	**86 220 000**	**74 614 565**	**-8 512 481**	**152 322 084**

Note 9 Financial market risk

The company's activities entail various types of financial risks. In relation to the company's balance sheet at 31 December 2010, these are:
- a currency risk and interest rate risk linked to a fixed rate borrowing in SEK (Sweden), DKK (Denmark) and EUR (Finland)
- 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

The company complies with the Group's principal risk management plan.

The Group's risk management is handled by a central finance department in accordance with guidelines set forth by the Board of Directors. The Group's finance department identifies, evaluates and hedges the financial risks in close cooperation with the different operating units.

Market risk

(i) Currency risk

A currency risk arises on trading transactions, balance sheet assets and liabilities and net investments in foreign companies.

(ii) 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.

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

Note 10 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 receivable from credit institutions					
in NOK				1 082 308	1 082 308
in foreign currency				9 518 486	9 518 486
Loans to and receivables from customers					
in NOK	-				-
in foreign currency	73 386 538				73 386 538
Ownership in other Group companies					
in NOK				-	-
in foreign currency				3 026 024	3 026 024
Intangible assets					
in NOK			8 920 599	43 174 929	52 095 528
in foreign currency			6 781 088		6 781 088
Other assets					
in NOK				22 927 443	22 927 443
in foreign currency				10 353 325	10 353 325
Total Assets	**73 386 538**	-	**15 701 687**	**90 082 515**	**179 170 741**
in NOK	-		8 920 599	67 184 680	76 105 279
in foreign currency	73 386 538		6 781 088	22 897 835	103 065 461
Equity and liabilities					
Other Liabilities					
in NOK	4 880 328	2 294 686			7 175 014
in foreign currency	14 442 428	2 458 039		2 773 175	19 673 642
Equity					
in NOK				152 322 084	152 322 084
Total equity and liabilities	**19 322 756**	**4 752 725**	-	**155 095 259**	**179 170 741**
in NOK	4 880 328	2 294 686		152 322 084	159 497 098
in foreign currency	14 442 428	2 458 039		2 773 175	19 673 642

Net liquidity exposure balance sheet items					
in NOK	-4 880 328	-2 294 686	8 920 599	-85 137 404	-83 391 819
in foreign currency	58 944 110	-2 458 039	6 781 088	20 124 660	83 391 819

Note 11 Period prior to the change in interest rate at 31 December

Assets	Up to 1 month	From 1 to 3 months	Items without interest rate exposure	Total
Loans to and receivable from credit institutions				
in NOK	1 082 308			1 082 308
in foreign currency	9 518 486			9 518 486
Loans to and receivables from customers				
in NOK				
in foreign currency			73 386 538	73 386 538
Ownership in other Group companies				
in NOK				
in foreign currency			3 026 024	3 026 024
Intangible assets				
in NOK			52 095 528	52 095 528
in foreign currency			6 781 088	6 781 088
Other Assets				
in NOK			24 113 320	24 113 320
in foreign currency			9 167 449	9 167 449
Total Assets	**10 600 794**		**168 569 946**	**179 170 741**
in NOK	1 082 308		76 208 848	77 291 156
in foreign currency	9 518 486		92 361 099	101 879 585
Equity and liabilities				
Other Liabilities				
in NOK			7 175 014	7 175 014
in foreign currency			19 673 642	19 673 642
Equity				
in NOK			152 322 084	152 322 084
Total equity and liabilities			**179 170 740**	**179 170 741**
in NOK			159 497 098	159 497 098
in foreign currency			19 673 642	19 673 642
Net liquidity exposure balance sheet items				
in NOK	1 082 308		-83 288 251	-82 205 943
in foreign currency	9 518 486		72 687 457	82 205 942

Note 12 Currency positions at 31 December

Currency	Assets	Balance sheet Equity an liabilities	Net position
NOK	80 239 252	159 497 098	-79 257 846
SEK	74 898 529	18 670 238	56 228 291
DKK	1 797 185	86 382	1 710 804
EUR	17 569 417	758 054	16 811 363
EEK	4 666 357	158 969	4 507 388
Total	**179 170 741**	**179 170 741**	**0**

Note 13 Capital adequacy at 31 December

Equity and subordinated loan capital

	2010	2009
Share Capital	86 220 000	87 034 580
Other Equity	66 102 085	64 718 809
Total Equity	**152 322 084**	**151 753 389**
Deductions		
Intangible assets	-58 876 616	-1 218 750
Deferred tax assets	-22 927 444	-4 899 832
Core Capital	**70 518 024**	**145 634 808**
Net equity and subordinated loan capital	**70 518 024**	**145 634 808**
Minimum requirement equity and subordinated loan capital		
Credit risk		
Of which:		
Institutions	-	1 191 120
Mass market commitments	5 181 000	39 520
Commitments that have fallen due	1 555 000	42 000
Other commitments	1 553 000	5 782 560
Total minimum requirement market risk	**8 289 000**	**7 055 200**
Settlement risk	-	-
Currency risk	7 183 000	-
Total minimum requirement market risk	**7 183 000**	**-**
Operational risk	771 768	177 600
Minimum requirement equity and subordinated loan capital	**16 243 768**	**7 232 800**
Capital adequacy		
Capital adequacy ratio	34,73 %	161,08 %
Core capital adequacy ratio	34,73 %	161,08 %

Note 14 Secure debt and guarantees, etc.

Book value of assets provided as security for book liabilities

	2010	2009
Bank deposits - cash deposits	-	-
Total		

Folkia AS had no assets provided for book liabilities either in 2010 or 2009.
Folkia AS has entered into a lease in Sweden. This lease expires on 30 September 2014. The annual rent is

NOK 1.563.216.

Note 15 Account receivables (microloans)

	2010	2009
Microloans	86 344 477	658 006
Impairment for probable losses on microloans	-12 957 938	-349 815
Net microloans	**73 386 539**	**308 191**

The fallen-due dates of the microloans were as follows at 31 December 2010:
These loans are to private customers. For a more detailed description of the credit risk, refer to the note on financial risk.

The fair value of loans are considered to be equal to book value, as all loans have short term to maturity and probable losses have been written down.

	2010	2009
Not fallen due	54 794 018	-
Fallen due 1-30 days ago	6 436 226	-
Fallen due 31-60 days ago	2 532 127	32 441
Fallen due 61-90 days ago	2 153 845	20 132
Fallen due more than 90 days ago	20 428 260	605 433
Total	**86 344 477**	**658 006**

At 31 December 2010, the provisions were NOK 12 957 938

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

	2010	2009
Unspecified loan loss provisions at 1 January	**349 815**	**1 055 000**
Additions du to branchification	22 206 871	
Ascertained loss during the year for which provisions have previously been made	-23 848 086	
Increased unspecified loan loss provisions during the year	15 483 789	
New specified provisions during the year		79 000
Write-back of specified loan loss provisions during the period	-2 156 580	-784 185
Currency translations	922 129	
Unspecified loan loss provisions at 31 December	**12 957 938**	**349 815**

	2010	2009
Unspecified loan loss provisions at 1 January		-
Unspecified loan loss provisions during the period	13 327 208	-
Unspecified loan loss provisions at 31 December	**13 327 208**	**-**

	2010	2009
The change in specified loan loss provisions during the period	-	79 000
The ascertained losses during the period for which specified loan loss provisions	-	-259 166
The loss costs for the period	**13 327 208**	**-180 166**

The amount recognized 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.

Note 16 Other receivables

	2010	2009
Loans to Group companies	-	73 805 484
Intercompany accounts with Group companies	4 022 873	637 453
Pre-paid costs and deposits	3 965 130	1 247 487
Other receivables	610 178	-
Total other receivables	**8 598 181**	**75 690 424**

Other receivables do not contain impaired assets.

The total intercompany account with Group companies included disbursements Folkia AS had for other Group companies, and other receivables due to branchification process.

Loans to Group companies in 2009 were used to finance the operations of Folkia AB. The loans had no agreed term to maturity, the interest rate was 8% and the loan agreements contained a contractual clause stating that the borrower could not provide the loan portfolio, based on this liquidity, as security to a third party. The balance included accrued interest.
In 2010 the loans to group companies were eliminated due to consolidation of branches.

In 2009 loans have been given to DFK and Monetti Oy in connection with the acquisition of that company. The loans had no agreed term to maturity, the interest rate was 10% and the loan agreements contained a contractual clause stating that the borrower could not provide the loan portfolio, based on this liquidity, as security to a third party. The balance included accrued interest.
In 2010 the loans to group companies were eliminated due to consolidation of branches.

Capitalized acquisition costs equal was in 2009 NOK 456.464. These related to the acquisition of the Monetti Oy subsidiary (Finland/Estonia) with accounting effect for the Group (closing) in January 2009.
No such costs were recorded in 2010.

Note 17 Tax

The tax payable for the year is calculated as follows:	**2010**	**2009**
Tax payable on foreign revenue	-2 289 070	
Change in deferred tax assets	18 027 612	-124 508
Tax income due to branchification	5 240 018	
Tax on the result on ordinary operations	**20 978 560**	**-124 508**

Reconciliation from the nominal to the actual tax rate	**2010**	**2009**
Result for the year	-17 902 152	423 277
Estimated income tax according to the nominal tax rate	-5 012 603	118 517
The tax effect of the following items:		
Non-deductible expenses	-10 725 939	5 991
Tax income due to branchification	-5 240 018	-
Tax	**-20 978 560**	**124 508**
Effective tax rate	**85 %**	**29,40 %**

During 2010 the operations in the subsidiaries in Estonia, Finland, Denmark and Sweden are transferred to Folkia AS. The operations are transferred to newly established branches of Folkia AS in the various countries.

The transfers of assets and liabilities to the branches are done in accordance with the continuity principle for tax purposes in each country. For Norwegian tax purposes, the transferred operations (assets and liabilities) are assessed at fair value at the time of transfer. This causes an increased tax basis of depreciation of the assets of Folkia AS, inclusive of Goodwill, and results in an increase in deferred tax assets.

Specification of the tax effect of temporary differences and carry-forward loss:

	2010		2009	
	Benefit	Obligation	Benefit	Obligation
Tangible and intangible assets	7 300 009	-	-	-
Receivables	1 913 153	-	97 948	-
Carry-forward loss	11 425 211	-	4 801 883	-
Adjustments for tax paid in branches	2 289 070	-		-
Total	**22 927 443**	**-**	**4 899 831**	-
Net deferred tax assets in the balance	**22 927 443**		**4 899 831**	

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

Note 18 Other operating expensed

Specification of other operating costs	2010	2009
Fees services/external advisors	12 457 157	6 404 879
Leasing of premises	2 346 106	663 180
Sales and marketing expenses	18 487 813	588
Other costs	21 041 515	1 396 709
Total	**54 332 591**	**8 465 355**

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 office and parking facilities.

Note 19 Other liabilities

Specification of other liabilities	2010	2009
Loans to Group companies	2 471 483	-
Approved, invoiced but not paid out loans	6 926 803	
Accounts payable	4 610 119	487 937
Govt. charges and special taxes	2 075 340	416 913
Salaries owed	3 326 003	1 408 829
Other liabilities	7 438 910	-
Total	**26 848 657**	**2 313 679**

Note 20 Events after balance sheet day

Shareholders in Folkia AS have signed an agreement with Dollar Financial Group (DFG) for sale of shares in Folkia group. This agreement was terminated by shareholders, since DFG was reluctant to finalize the transaction by the end of the year. Considerable efforts was being made by Folkia`s management to close this deal and various actions are being considered against DFG.

Folkia went through reorganization of the management group. Reorganization is going to achieve flat organizational structure and easier management capabilities. Costs of reorganization process are approximately NOK 7 mill. and will be charged as an expense in 2011.

No other events causing special statement have occurred after statement of financial position date.

Folkia AS

Cash flow statement

	2010	2009
CASH FLOW FROM OPERATIONS:		
Profit/(loss) before taxation	-17 902 152	423 277
Depreciation and amortization	8 760 550	376 250
Impairment of intangible assets	442 964	-
Taxes paid for the period	-4 340 898	-
Net change in value and gain/loss on shares, currencies and financial derivatives	-2 867 507	-5 826 843
Change in trade receivables	-73 078 347	243 415
Changes in other current assets	67 092 243	-486 579
Change in trade payables and other short term liabilities	25 354 801	-325 464
Changes in inter-company balances	-819 824	3 598 015
Adjustments for interests paid/ received but not realized	-1 998 976	-
Net cash flow from operations	**642 853**	**-1 997 929**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Outflows due to purchases of fixed assets	-179 702	-
Outflows due to purchases of intangibles	-1 778 367	-
Payments due to investments in financial non- current assets	-	-2 632 796
Additions in cash and cash equivalents due to branchification	9 203 813	-
Net cash flow from investment activities	**7 245 743**	**-2 632 796**
CASH FLOW FROM FINANCING ACTIVITIES:		
Net cash flow from financing activities	-	-
Effects of currency rate changes on bank deposits, cash and equivalents	**577 285**	**-**
Net change in bank deposits, cash and equivalents	8 465 881	-4 630 725
Bank deposits, cash and equivalents 31.12.2009	**2 134 913**	**6 765 637**
Bank deposits, cash and equivalents 31.12.2010	**10 600 794**	**2 134 913**