Annual Report
2011

FOLKIA™

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REPORT OF THE BOARD OF DIRECTORS FOR 2011

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.

The financial statements are prepared on a going concern basis. The financial statements give a true and fair view of the assets, liabilities, financial position and results as of 31 December 2011

ABOUT THE GROUP

The Folkia Group is a leading finance group that provides everyday financial services in the Nordic and Baltic regions. In 2011, 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 2011, the group's operations consisted of the parent company, Folkia AS, its branches in Sweden, Finland, Estonia. Denmark is operated via the Swedish branch. Non-operating subsidiary Folkia AB in Sweden also consists in the group.

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

OPERATIONS IN 2011

During 2011, Folkia continued to consolidate the group and its operations in all markets. A major cost cut and reorganization was implemented in the first half of 2011. The cost base was stable in the second half of 2011. The group is now profitable on the operating result on a monthly basis. Folkia has developed new and more inexpensive ways to market the group's products with high focus on profit. New marketing plans are implemented in all the markets. Denmark and Finland is showing good growth. The Norwegian market has been re-entered and the position is maintained in Sweden even with lower marketing costs.
Management is closely monitoring the credit losses through the continued development and adjustment of its own sophisticated scoring models. Although the financial turnaround,

which was expected to take place in the earlier half of 2011, took a few months longer to achieve, the prospects for 2012 looks solid.

GOALS AND STRATEGY

Folkia intends to be the leading provider of everyday financial services in the Nordic and the Baltic region. 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 standardized products and provide first class customer service.

Folkia, being a licensed and regulated company, also aims to be a leading company in the field of compliance. Folkia will at all times aim to apply the highest legal, regulatory and industry standards.

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Operating revenues

The group's operating revenues came to 105 MNOK in 2011, down from 113 MNOK in 2010. The parent company's operating revenues amounted to 103 MNOK in 2011, compared to 92 MNOK in 2010.

Operating expenses

The group's operating expenses were 97 MNOK in 2011, as against 116 MNOK in 2010. In first quarter of 2011 Folkia went through reorganization. The cost of the reorganization have been approximately 7 MNOK and charged as an expense in 2011.

The parent company's operating expenses came to 82 MNOK in 2011, compared to 97 MNOK in 2010. The decrease was mainly linked to that the company during 2011 has not been involved in any large projects that incurred considerable costs, like Folkia was in 2010. The positive effects of the reorganization can also be seen in the second part of 2011.

Research and Development activities

Folkia continually develop its in house system, including our FOSS system. Development work is recognized in the balance sheet when it is probable that the future economic benefits linked to the assets will accrue. Folkia has not conducted any research activities that would have any impact on the financial statement.

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 2011.

Credit losses

The group's losses on loans were 18 MNOK in 2011 compared to 20 MNOK in 2010. The credit losses are expected to be on the same level in 2012 although the management is constantly working on ways to decrease the credit losses.

BALANCE SHEET, FINANCING AND LIQUIDITY

The group's balance sheet total as at 31 December 2011 was 206 MNOK, compared to 184 MNOK in 2010.

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

The group's liquidity situation is still good. As at 31 December 2011, the group had cash holdings of 24 MNOK. The group's cash flow was satisfactory throughout 2011 considering the changes in company management and structure.

The parent company's balance sheet total as at 31 December 2011 was 199 MNOK, up from 179 MNOK in 2010. The company had no distributable equity as at 31 December 2011.

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 2011 these are: foreign exchange risks and credit risks linked to loans in local currencies in the group's markets, foreign exchange risks linked to intercompany 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 19,3 % as at 31 December 2011, compared to 23,7% in 2010. The capital adequacy ratio is significantly higher than the minimum requirement of 8%.

Folksam has on 30. August 2011 filed a lawsuit against Folkia to the Stockholm District Court for trademark and company name infringement, claiming among other things that Folkia's use of FOLKIA infringes on FOLKSAM's trademarks and company names. Folkia has contested Folksam's lawsuit in its entirety in Folkia's Statement of Defense. Folkia has filed a counterclaim against Folksam. Folkia is of the view that Folkia has not infringed on any of Folksam's trademarks or company names and, consequently, that the legal basis for Folksam's claim is scarce.

The Finnish Parliament is discussing a proposal to put restriction on the micro loans business in Finland. Folkia is operating under license contrary to many of the competitors. Proposals to regulate in greater detail the terms and conditions for micro loans has been launched. Any new legislation, if approved by the Parliament, will not be expected to be in force before the autumn of 2012.

CORPORATE GOVERNANCE

The Board held 10 meetings in 2011. The key issues discussed were strategy, cost cuts, 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 significant effect on the external environment

THE WORKING ENVIRONMENT

Folkia has improved its working environment in 2011. There was a particular focus on costs.
The total sickness absence was 477 days, which equals 3.61% of the total hours worked. Of the total sickness absence 367 days are related to long term absence. 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. Of the group's 26 employees, 11 are women.

FUTURE PROSPECTS

The Board considers the company's outlook for 2012 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 Management and general leadership in March 2011.

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Oslo, 22nd of March, 2012

The Board of Folkia AS

Finn Terje Schøyen
Chairman of the Board

Tord Lendau
Director

Mikko Marttinen
Director

Eilif Bjerke
Director

Stig Herben
Director

Leif Bjørnstad
Director

Raivo Aavisto
Director

Hördur Bender
CEO

Notes to the consolidated financial statements

In NOK (all Financial Statements)

Consolidated statement of comprehensive income

	Note	2011	2010
Interest and similar income on loans to and receivables due from customers		104 956 005	107 406 094
Other income	27	142 762	5 709 103
Total interest income and similar income		**105 098 767**	**113 115 197**
Salaries and administrative expenses	16	29 120 144	33 875 173
Amortisation intangible assets	6	6 790 400	6 169 854
Depreciation tangible fixed assets	5	858 420	768 451
Impairment of intangible assets	6	-	442 964
Losses on loans	9	17 833 885	20 111 520
Other operating expenses	17	40 157 108	54 440 890
Impairment of other receivable		2 511 761	-
Impairment of shares available for sale	7a, 8	77 273	106 550
Total operating expenses		**97 348 990**	**115 915 403**
Operating result		**7 749 777**	**-2 800 206**
Financial income	18	4 755 109	3 318 277
Financial expenses	18	-6 517 042	-6 205 381
Net financial items		**-1 761 932**	**-2 887 103**
Result before tax		**5 987 844**	**-5 687 309**
Tax	19	-622 068	15 116 181
Result for the year		**5 365 776**	**9 428 872**
Other comprehensive income			
Exchange differences on translating foreign operations		-130 659	764 952
Other comprehensive income for the year		**-130 659**	**764 952**
Total comprehensive income for the year		**5 235 117**	**10 193 824**

Consolidated statement of financial position

	Note	2011-12-31	2010-12-31
ASSETS			
Non-current assets			
Tangible fixed assets	5	1 070 106	1 755 144
Software and scoring model	6	6 124 628	7 966 291
Trademarks/brands and licences	6	10 134 617	10 148 821
Customer relationships	6	5 054 636	7 721 192
Goodwill	6	45 889 905	45 889 905
Deferred tax assets	19	21 565 521	17 386 661
Financial assets available for sale	8	-	77 928
Loans and deposits	22	1 127 963	528 781
Total non-current assets		**90 967 376**	**91 474 723**
Current assets			
Microloans and other receivables	7a, 7b, 9	82 281 754	75 142 529
Pre-paid expenses and deposits	9	8 662 778	3 964 840
Interest receivables	9	-	2 533 047
Cash and cash equivalents	10, 7a, 7b	24 466 270	10 607 025
Total current assets		**115 410 802**	**92 247 440**
Total assets		**206 378 178**	**183 722 163**

	Note	2011-12-31	2010-12-31
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	-1 644 249	-5 897 578
Foreign currency translation reserve	12	286 500	417 159
Total equity		**158 862 149**	**154 739 479**
LIABILITIES			
Current liabilities			
Accounts payable and other current liabilities	7a, 13	8 586 164	21 078 208
Deferred income		4 355 104	4 511 526
Accrued expenses	13, 15	5 035 134	3 392 950
Loans (credit facility)	7a, 14	29 539 626	-
Total current liabilities		**47 516 029**	**28 982 684**
Total liabilities		**47 516 029**	**28 982 684**
Total equity and liabilities		**206 378 178**	**183 722 163**

Oslo, 22nd of March, 2012
Board of Folkia AS

Statement of changes in equity

	Note	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity
Equity as of 1 January 2010		**86 220 000**	**73 999 898**	**-15 326 450**	**- 347 793**	**144 545 655**
Currency translation difference					764 952	764 952
Purchase of treasury shares						
Result for the year				9 428 872		9 428 872
Equity as of 31 December 2010	**11, 12**	**86 220 000**	**73 999 898**	**-5 897 578**	**417 159**	**154 739 479**
Registered share capital		87 034 580				
- own shares		814 580				
Equity as of 1 January 2011		**86 220 000**	**73 999 898**	**-5 897 578**	**417 159**	**154 739 479**
Adjusting incorrect opening balance				-1 112 446		-1 112 446
Currency translation difference					-130 659	-130 659
Result for the year				5 365 776		5 365 776
Equity as of 31 December 2011	**11, 12**	**86 220 000**	**73 999 898**	**-1 644 249**	**286 500**	**158 862 149**
Registered share capital		87 034 580				
- own shares		814 580				

Consolidated statement of cash flows

	Note	2011	2010
Cash flow from operations			
Result before tax		5 987 844	-5 687 309
Ordinary depreciation tangible assets	5	858 420	768 451
Amortization of intangible assets	6	6 790 400	6 169 854
Impairment of intangible assets	6	-	442 964
Impairment of shares available for sale	8	77 273	106 550
Impairment on other receivable		2 511 761	-
Accrued interest affecting cash flow		-2 313 032	-
Adjustment for other entries affecting cash flow		-1 363 598	-
Net financial expenses/ income		2 094 443	2 887 103
Income tax paid		-4 800 928	-4 340 898
Changes in accounts receivables		-7 139 224	6 288 796
Changes in other receivables		-2 764 074	-2 087 656
Changes in accounts payables		-12 492 044	13 848 522
Change in other payables		1 485 762	-344 545
Net cash flow from operations		**-11 066 998**	**18 051 833**
Cash flow from investing activities			
Investments in tangible fixed assets	5	-256 841	-489 055
Investments in intangible assets	6	-2 299 554	-1 778 369
Net cash flow used for investing activities		**-2 556 395**	**-2 267 424**
Cash flow from financing activities			
Interests paid		-2 110 472	-2 746 143
Interests received		16 029	99 385
Change in credit facility	14	29 539 626	-35 667 016
Net cash flow used for financing activities		**27 445 183**	**-38 313 774**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**37 456**	**448 019**
Change in cash, cash equivalents		**13 859 245**	**-22 081 347**
Cash, cash equivalents as of 1 January	10	10 607 025	32 668 370
Cash, cash equivalents as of 31 December	10	**24 466 270**	**10 607 025**

Notes to the consolidated financial statements

1 General information

Folkia AS (*the Company*) and its branches and subsidiary (together called the *Group*) offer simple, everyday financial services at fixed prices and on conditions which are clear to customers. Folkia offers short-term microloans with 30- to 90-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. 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.

As at 31 December 2011, the Group consisted of the parent company, Folkia AS, and its branches in Sweden, Finland and Estonia as well as Folkia AB (non-operating). Denmark is operating via the Swedish branch. DFK Holding ApS and Dansk Finansieringskompagni ApS was liquidated during 2011.

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 March 22nd, 2012.

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

Standards and Interpretations affecting amounts reported in the current period

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010) have been adopted in the current period and have affected the amounts reported in these financial statements. The changes have had an impact on the presentation and disclosures in the financial statements.

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present this analysis in the statement of changes in equity. Such amendments have been applied retrospectively, and hence the consolidated financial statements have been modified to reflect the change.

Standards and Interpretations adopted with no effect on the financial statements

The following new and revised or amended Standards and Interpretations have also 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**
Amendments to IAS 32	*Classification of Rights Issues*	October 2009	1 February 2010
Amendments to IFRIC 14	*Prepayments of a Minimum funding Requirement*	November 2009	1 January 2011
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	November 2009	1 July 2010
Improvements to IFRSs (Various Standards and Interpretations) issued in 2010	*Improvements to IFRSs*	May 2010	1 January 2011[1]

[1] The implementation dates for the various improvements vary, the earliest mandatory date is 1 July 2010

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 2011.

The directors anticipate that these Standards and Interpretations will be adopted in the Group's financial statements for the period beginning 1 January 2012 or later. Effective dates are as applicable for IFRSs as adopted by the European Union as these in some cases may 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. Standards and Interpretations that are clearly not relevant for the Group's financial statements (e.g. amendments to IFRS 1 *First time adoption of IFRSs*) have not been included in the below schedule.

Standard/ Interpretation	**Title**	**Date of issue**	**Applicable to accounting periods commencing on**
Amendment to IFRS 7	*Disclosures - transfers of financial assets*	October 2010	1 July 2011
IFRS 9[2]	*Financial Instruments*	November 2009 and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011)	1 January 2015
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
IFRS 13[2]	*Fair Value Measurement*	May 2011	1 January 2013
Amendments to IAS 1[2]	*Presentation of Items of Other Comprehensive Income*	June 2011	1 July 2012
Amendments to IAS 12[2]	*Deferred Tax – Recovery of Underlying Assets*	December 2010	1 January 2012
IAS 24 (as revised in 2009)	*Related Party Disclosures*	November 2009	1 January 2011
IAS 19 (as revised in 2011)[2]	*Employee Benefits*	June 2011	1 January 2013
IAS 27 (as revised in 2011)[2]	*Separate Financial Statements*	May 2011	1 January 2013
IAS 28 (as revised in 2011)[2]	*Investments in Associates and Joint Ventures*	May 2011	1 January 2013
Amendments to IFRS 7[2]	*Disclosures - Offsetting Financial Assets and Financial Liabilities*	December 2011	1 January 2013
Amendments to IAS 32[2]	*Offsetting Financial Assets and Financial Liabilities*	December 2011	1 January 2014

[2]The standard/revised standard/amendment has as at the date of issue of these financial statements not yet been adopted by the EU

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

The consolidated financial statements have been prepared under the historical cost convention with the following modifications:
- 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 acquire.

2.3 Establishment of branches

Folkia went through a process in 2010 and operations are since then 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:

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 branches in Sweden, Finland and Estonia. Refer to the note 21.

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 2011.

(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 percentage 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.

(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 is 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 Folkia 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 Folkia does not actively trade in risky assets, this concept does not apply to Folkia.

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 Folkia 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 Folkia's loans are today mainly in SEK and Folkia's group financial statements are denominated in NOK. As a result, Folkia 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 Folkia, 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 2011, Folkia had an unhedged foreign exchange exposure of 65 MNOK.

Sensitivity analysis

NOK 1000 as per 31 December 2011

	Change	Result
NOK/SEK	+/- 5%	+/- 287
NOK/DKK	+/- 5%	+/- 29
NOK/EUR	+/- 5%	+/- 350

(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 Folkia's profitability resides solely in Folkia's cost of funding. A sudden and lasting interest rate shock could have a negative impact on Folkia'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 Folkia 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 Folkia.

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 Folkia's lending to the general public (I). In addition, Folkia is exposed to Credit Risk in the form of counterparty risk relating to (II) Folkia'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 to three months length). Since these loans are to be repaid very fast the actual amount outstanding is limited. By looking at monthly statistics for 2011 one can see that on average NOK 46,8 millions is paid out in lending and with corresponding fees 54,8 is invoiced. Looking at statistics for Q4 roughly 2,0 times the average monthly loan 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 5% and this imply a monthly credit loss of NOK 1,9 millions and on yearly basis NOK 23,2 millions.

Folkia has maximum lending limits for microloans; loans are not given to existing customers until previous loans have been repaid. Folkia 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.

Credit risk exposure

NOK 1000 as per 31 December 2011

Counterpart	Exposure
General Public	82,282
Other	35,326
Total exposure	**117,608**

Region	Exposure
Sweden	92,817
Norway	1,177
Denmark	2,174
Estonia	3,997
Finland	17,445
Total exposure	**117,608**

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 Folkia's operations.

Moreover, in order to ensure Folkia'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 Folkia is linked primarily to Folkia'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 Folkia 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, Folkia'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 Folkia's main business is the management of small loans; Folkia does not engage in any proprietary trading and Folkia does not raise deposits from the public.

The current capital base as per 31 December 2011 includes NOK 70,1 million of Tier 1 Capital and no Tier 2 Capital. Total capital requirement for the same period for Pillar I and Pillar II totalled NOK 29,1 and 12,2 millions. This sums up in a capital ratio of 2,41 times for Pillar I and 1,69 times for Pillar I+II.

Capital base

NOK 1000 as per 31 December 2011

Amount of primary capital	70,1
Amount of supplementary capital	-
Amount of expanded capital base	-
Deductions and limit values	-
Total capital base	**70,1**

Capital requirement for Pillar I

NOK 1000 as per 31 December 2011

Capital requirement for credit risks using the standardized method	7,6
Capital requirement for operational risks	16,4
Capital requirement for foreign exchange risks	5,2
Total minimum capital requirement	**29,1**

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 2011

Retail exposure	60
Risk-weighted amount	44,7
Capital requirement	3,6
Other exposure	58
Risk-weighted amount	49,7
Capital requirement	4
Total capital requirement, credit risk	**7,6**

Capital requirement for Pillar II

NOK 1000 as per 31 December 2011

Market risk	7,2
Credit risk	3,1
Interest rate risk	0,1
Liquidity risk	0,1
Strategic risk	0,1
Reputation risk	0,5
Political/legal risk	1,2
Total minimum capital requirement	**12,2**

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.

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 on-going 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. Folkia mainly use historical data and the knowledge we possesses to make the analyses and level of the provisions.

Credit losses
Credit losses are made for groups of loans depending on status of the receivables, i.e.; whether they have fallen due, are being monitored, have been sent for debt-collection, etc.

Deferred tax assets
The Group has in its statement of financial position recognised deferred tax assets linked to losses and an increase in temporary differences due to the branch establish process in 2010. 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

	Machinery, fixtures, fittings and vehicles
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**
2011 financial year	
Carrying amount 01.01.11	**1 755 144**
Additions due to the acquisition of companies	-
Additions	256 841
Translation differences	-1 371
Disposals	-82 088
Depreciation during the year	-858 420
Carrying amount 31.12.11	**1 070 106**
As at 31 December 2011	
Original cost	3 948 929
Accumulated depreciation	-2 878 823
Carrying amount 31.12.11	**1 070 106**

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

6 Intangible assets

	Goodwill	Software (incl. scoringmodell and licenses)	Customer relationships	Trademarks	Total
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**	**10 148 821**	**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 impairment	-	-458 990	-	-	-458 990
Accumulated amortization	-	-9 195 712	-5 611 570	-269 861	-15 077 143
Carrying amount 31.12.10	**45 889 905**	**7 966 291**	**7 721 192**	**10 148 821**	**71 726 209**
2011 financial year					
Carrying amount 01.01.11	45 889 905	7 966 291	7 721 192	10 148 821	71 726 211
Additions	-	2 299 554	-	-	2 299 554
Translation differences	-	-31 460	-	-120	-31 580
Disposals	-	-	-	-	-
Impairment during the year	-	-	-	-	-
Amortization during the year		-4 109 758	-2 666 556	-14 085	-6 790 400
Carrying amount 31.12.11	**45 889 905**	**6 124 628**	**5 054 636**	**10 134 617**	**67 203 786**
As of 31 December 2011					
Original cost	45 889 905	19 873 048	13 332 762	10 418 487	89 514 202
Accumulated impairment	-	-458 669	-	-	-458 669
Accumulated amortization	-	-13 289 751	-8 278 126	-283 870	-21 851 747
Carrying amount 31.12.11	**45 889 905**	**6 124 628**	**5 054 636**	**10 134 617**	**67 203 786**
Amortisation rate	**0%**	**20%**	**20%**	**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* and *Folkia AS Norway Estonian 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 10.4 % for *Folkia Swedish Branch*, 10.5 % for *Swedish Branch Danish Cash Generating Unit,* 11.0 % for *Folkia AS Norway Finnish Branch* and 13.9% for *Folkia AS Norway Estonian Branch* have been used.

Cash flows in excess of the five-year period are extrapolated using a growth rate of 2.0 %. 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 2011	Lending and receivables	Assets measured at fair value through profit and loss (held for trading)	Available for sale	Total
Assets				
Financial assets available for sale	-			-
Accounts receivable and other receivables (long-term)	422 699			422 699
Microloans and other receivables, excl. advance payments and deposits (short-term)	82 281 754			82 281 754
Interest receivable	-			-
Deposits	705 264			705 264
Cash and cash equivalents	24 466 270			24 466 270
Total	**107 875 987**			**107 875 987**

As of 31 December 2011	Liabilities measured at fair value through profit and loss (held for trading)	Other financial liabilities at amortised costs	Total
Liabilities			
Loans (credit facility)		29 539 626	29 539 626
Accounts payable and other liabilities, excl. mandatory liabilities		8 586 164	8 586 164
Total		**38 125 790**	**38 125 790**

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 for sale			77 928	77 928
Accounts receivable and other receivables (long-term)	528 781			528 781
Microloans and other receivables, excl. advance payments and deposits (short-term)	75 142 529			75 142 529
Interest receivable	2 533 047			2 533 047
Deposits	1 666 897			1 666 897
Cash and cash equivalents	10 607 025			10 607 025
Total	**90 478 279**		**77 928**	**90 556 207**

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

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.

	2011	2010
Accounts receivable		
Microloans and other receivable	82 281 754	75 142 529
Total accounts receivable	**82 281 754**	**75 142 529**

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.

	2011	2010
Bank deposits		
AA-	378 264	354 851
A+	23 154 101	9 657 715
A	539 681	588 482
Undefined/no rating available	394 224	-
Cash/collateral etc.	-	5 977
Total bank deposits	**24 466 270**	**10 607 025**

Financial assets available for sale without an external credit rating		
SIP Nordic 100	-	77 928

8 Financial assets available for sale

	2011	2010
Carrying amount 01.01	77 928	175 181
Acquisition of assets	-	-
Exchange rate difference	-653	9 296
Impairment	-77 273	-106 550
Carrying amount 31.12	**-**	**77 928**
Of which classified as fixed assets	-	77 928
Of which classified as current assets	-	-

The financial assets that are available for sale consist of:

	2011	2010
SIP Nordic 100	-	77 928

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

	2011	2010
SEK	-	77 928

The structured product’s value has been set at its market price.

9 Microloans and other receivables

	2011	2010
Microloans	100 656 779	86 344 476
Impairment due to probable losses on microloans	-20 107 413	-12 957 938
Net microloans	**80 549 365**	**73 386 537**
Other receivables	1 732 388	1 755 991
Total microloans and other receivables	**82 281 754**	**75 142 529**
Income accrued but not received	-	2 533 047
Pre-paid costs	2 318 468	2 297 943
Deposits	6 344 310	1 666 897
Cash and cash equivalents	24 466 270	10 607 025
Total current assets	**115 410 802**	**92 247 440**

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.

	2011	2010
Not fallen due	59 637 712	54 794 018
1 – 30 days after the due date	7 932 576	6 436 226
31 - 60 days after the due date	3 305 475	2 532 127
61 - 90 days after the due date	2 915 149	2 153 845
> 91 days after the due date	26 865 867	20 428 260
Total microloans	**100 656 779**	**86 344 476**

Recognised value of the Group's microloans net of impairment allowance, per currency in NOK as of 31 December 2011:

	2011	2010
SEK	51 736 238	54 197 859
NOK	714 250	-
EUR	27 247 315	14 670 125
DKK	851 563	1 238 846
EEK	-	3 279 707
Net microloans	**80 549 366**	**73 386 537**

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

	2011	2010
As at 1 January	**12 957 938**	**27 293 540**
Provision during the year	13 897 722	22 268 101
Net receivables that have been written off as losses during the year	-6 698 304	-35 369 252
Write-back of specified loan loss provisions during the period	-20 099	-2 156 580
Currency translations	-29 844	922 126
As at 31 December	**20 107 413**	**12 957 938**

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

	2011	2010
Cash and bank deposits	24 466 270	10 607 025
Short-term bank deposits	-	-
Total	**24 466 270**	**10 607 025**

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

	2011	2010
Cash and cash equivalents	24 466 270	10 607 025
Total	**24 466 270**	**10 607 025**

Of the bank deposits 2011 415 533 NOK, was restricted for payments of advance tax deductions (562 767 NOK in 2010).

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 31.12.10	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**
Carrying amount 31.12.11	**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 2009. As of 31 December 2011, 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 2010	**-15 674 243**
Currency translation difference	764 952
Result for the year 2010	9 428 872
Carrying amount 31.12.10	**-5 480 419**

As of 1 January 2011	**-5 480 419**
Adjustment of incorrect opening balance	-1 112 446
Currency translation difference	-130 659
Result for the year 2011	5 365 776
Carrying amount 31.12.11	**-1 357 749**

13 Accounts payable and other current liabilities

	2011	2010
Accounts payable	1 747 164	10 079 551
Govt. charges and special taxes	5 773 705	3 760 216
Holiday pay due	1 107 441	395 205
Income accrued but not received	4 355 104	4 511 526
Approved, invoiced but not paid out loans	988 947	6 843 236
Accrued expenses	4 004 042	3 392 950
Loans (credit facility)	29 539 626	-
Total	**47 516 029**	**28 982 684**

14 Loans

	2011	2010
Short-term loans		
Loans from credit institutions (credit facility) (1)	29 539 626	-
	29 539 626	**-**

(a) Loans from credit institutions

(1) The loan has a fixed interest rate of 7.75 %. 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:

	2011	2010
6 months or less	-	-
6-12 months	-	-
1-5 years	-	-
More than 5 years	-	-
No agreed maturity date	29 539 626	-
Total loans	**29 539 626**	**-**

Carrying amount and fair value of loans:	**2011**	**2010**
Carrying amount		
Long-term loans	-	-
Credit facility with a credit institution	29 539 626	-
Total carrying amount	**29 539 626**	**-**
Fair value		
Long-term loans	-	-
Credit facility with a credit institution	29 539 626	-
Total fair value	**29 539 626**	**-**

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%. The fair value, i.e., the relevant lending terms as of 31 December 2011, 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:

	2011	2010
NOK	-	-
EUR	392 698	-
SEK	30 450 115	-

The Group has the following unutilised borrowing facilities:

	2011	2010
Fixed interest rate – No expiry date agreed on (SEK)	9 828 982	43 824 833
Fixed interest rate – No expiry date agreed on (EUR)	881 610	988 045

The facilities which expire within one year are annual facilities that must be renewed on various dates in 2012.

15 Pensions and similar liabilities

	2011	2010
Statement of financial position - liability:		
– Pension benefits	-	-
Costs charged to the statement of comprehensive income		
– Pension costs	**1 454 592**	**1 316 018**

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. Estonia has no pension cost or pension benefits.

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 certain percentage 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

	2011	2010
Salaries	21 207 327	24 690 703
Employers' national insurance contributions	5 442 543	5 550 477
Pension costs – the year's provisions for defined contribution based pension schemes	1 454 592	1 316 018
Other benefits	1 015 682	2 317 976
	29 120 144	**33 875 173**
No. of employees	**28**	**32**

17 Other operating expenses

	2011	2010
External advisors/fees services	11 206 742	14 551 377
Rental expenses	2 397 487	2 577 112
Marketing	11 898 263	19 764 488
Administrative and other expenses	14 654 616	17 547 913
Total other operating expenses	**40 157 108**	**54 440 890**

18 Financial income and expenses

	2011	2010
Interest income –bank deposits	40 054	27 931
Other interest income	2 229	18 091
Interest expenses	-2 184 474	-4 914 140
Currency gain	4 724 277	3 272 256
Currency loss	-4 344 018	-1 291 241
Net financial items	**-1 761 932**	**-2 887 103**

19 Tax - Deferred tax - Deferred tax assets

Tax:	2011	2010
Tax payable	4 800 928	2 324 292
Change in deferred tax	-4 178 860	-14 562 332
Correction deferred tax 2009	-	1 815 902
Change deferred tax due to conversion to branch structure	-	-4 694 043
Total tax on result	**622 068**	**-15 116 181**
Total tax including OCI	**622 068**	**-15 116 181**

	2011	2010
Tax payable for the year	4 567 664	2 324 292
Additional payable tax - previous years	233 265	
Total tax payable	**4 800 929**	**-**

Reconciliation of the effective tax rate:

	2011	2010
Result before tax including OCI	5 987 844	-4 922 357
Tax calculated at 28%	1 676 596	-1 378 260
Effect from to additional payable tax - previous years	201 461	-
Non-deductible costs	-1 251 724	849 835
Effects of different tax rates	-4 265	-293 788
Not taxable income	-	-11 773 378
This year's deficit without deferred tax assets	-	357 551
Tax	**622 068**	**-12 238 040**
Correction deferred tax 2009	-	1 815 902
Change deferred tax due to conversion to branch structure	-	-4 694 043
Tax in the statement of comprehensive income	**622 068**	**-15 116 181**

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

Deferred tax assets	2011	2010
Loss carried forward	16 821 486	11 425 211
Intangible assets	4 096 385	5 961 450
Other	647 649	-
Deferred tax assets	**21 565 521**	**17 386 661**
Deferred tax liability		
Intangible assets	-	-
Receivables	-	-
Deferred tax liability - gross	**-**	**-**
Deferred tax asset - net	**21 565 521**	**17 386 661**

Deferred tax assets are capitalized based on future income.

During 2010 the operations in the subsidiaries in Estonia, Finland, Denmark and Sweden were 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 2011.

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

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

	2011	2010
Due date within 1 year	1 737 071	2 202 374
Due date between 1 and 5 years into the future	2 979 557	3 718 715
Due date more than 5 years into the future	-	-
Total future minimum lease payments	**4 716 627**	**5 921 089**

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 31.12.2011 the total of deposits for office rental is NOK 655 264. 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	7 150
Book equity 1 January 2009 (negative)	3 479
Fair value adjustment on acquired net assets	10 629

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	8 846
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**

Goodwill is assigned to Monetti Oy's strong position and profitability in the market and employees (that cannot be allocated separately to other intangible assets).
The fair value of acquired assets in excess of their book value is allocated to identifiable intangible assets in accordance with own acquisition analyses. The above allocation is provisional.

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 amortization 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.

Acquisition of Folkia AB

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

Reference is made to disclosures of Business Combinations in the consolidated financial statements for 2008.

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.

Nexia DA

Owned by, among others, the current Chairman of the board and shareholder Finn Terje Schøyen.

Auto Rex Oy

Owned by board member and main shareholder Mikko Marttinen.

Marinium Oy

Owned by former employee and shareholder Kalle Pykälä.

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):	**2011**	**2010**
Interactive á Íslandi	1 013	1 250
Nexia DA	1 807	-
Auto Rex Oy	96	-
Marinium Oy	288	-
Total	**3 204**	**1 250**

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

The agreement for purchasing of services from Interactive à Ìslandi relates to consultancy services from Hördur Bender. Bender has the position of CEO since March 2011. 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 31.12.2011 in the statements of the financial position.

The agreement for purchasing of services from Nexia DA relates to consultancy services from the Chairman and Nexia DA. These consultancy services relates to M&A activities, managing new and existing markets but also relates to operational tasks within the Group. There are no guarantees given or received between Folkia and Nexia DA and there are no outstanding accounts as at 31.12.2011 in the statements of the financial position.

The agreements for purchasing of services from Auto Rex Oy relates to consultancy services provided by Marttinen. The consultancy services relates to managing existing markets in Finland and Baltic geographical areas , and assist management on operating in these regions. There are no guarantees given or received between Folkia and Auto Rex Oy and there are no outstanding accounts as at 31.12.2011 in the statements of the financial position.

The agreements for purchasing of services from Marinium Oy relates to consultancy services provided by Pykäla. The consultancy services relates to managing existing markets in Finland and Baltic geographical areas. There are no guarantees given or received between Folkia and Marinium Oy and there are no outstanding accounts as at 31.12.2011 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:

	2011	**2010**
Salaries and other short-term employee benefits	11 929	13 685
Pension benefits	722	457
Severance pay	-	-
Other long-term benefits	-	-
Share-based remuneration	-	-
Total	**12 650**	**14 142**

Specification of remuneration to senior employees:	2011		2010	
Name	**Salary and other short-term benefits**	**Pension benefits**	**Salary and other short-term benefits**	**Pension benefits**
Hördur Bender, CEO[1]	810	84	-	-
Other Management[2]	2 240	291	-	-
Credit Commitee	50	-	42	-
Control Committee	200	-	200	-
Board members	850	-	850	-
Former CEO, Per Spångberg[3]	1 017	-	3 020	-
Former Management[4]	6 762	346	9 573	457
Total Group	**11 929**	**722**	**13 685**	**457**

The Group has one other commitment linked to a former employee who is a related party as at 31.12.2011. This commitment concerns a termination agreement which benefits two former employees with the amount of SEK 362 305 including social costs. The amount is to be paid out during 2012.

[1]*CEO since March 2011.*

[2]*Present management. CFO and General Counsel.*

[3]*Left the company in March 2011.*

[4]*Former management before reorganization in March 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 2010 or 2011.

e) Loans to related parties

	2011	2010
Loans to the group management (and their families):		
Carrying amount 01.01	**413 722**	**567 515**
Loans granted during the year	-	-
Loans repaid during the year	-120 003	-150 004
Retirement from management group	-240 006	-
Interest income	11 035	13 536
Adjusted interest (due to retirement from management)	-36 769	-17 325
Interest received	-20 852	-
Correction of previous years wrong calculation	-7 127	-
Carrying amount in SEK	**-**	**413 722**
SEK/NOK exchange rate 31.12	0,8701	0,8707
Carrying amount 31.12	**-**	**360 227**

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

Name and loan amount, all in SEK	2011	2010
Group Management	-	360 009
Total	**-**	**360 009**

Former loans to group management are either repaid or transfered to "Loans to shareholder" as the former group management, also shareholders, no longer work for the company.

	2011	2010
Loans to the shareholders (and their families):		
Carrying amount 01.01	**172 985**	-
Transfered loans (due to retirement from group management)	240 006	150 004
Interest income	13 748	5 655
Transfered interest (due to retirement from group management)	36 769	17 325
Carrying amount in SEK	**463 508**	**172 985**
SEK/NOK exchange rate 31.12	0,8701	0,8707
Carrying amount 31.12	**403 298**	**150 618**

Terms and conditions

These loans are to be paid in the same ratio as disposal of the company shares held by group management. No loans have been given to directors.

Interest rate

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

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

It has not been necessary to make provisions for losses on loans to directors, senior employees or associates in 2011 or previous years.

f) Fees to auditors and other related costs	2011	2010
Statutory audit		
- Deloitte	1 489 701	1 265 314
- other	103 191	150 177
Other assurance services		
- Deloitte	-	139 016
- other	-	-
Tax advice		
- Deloitte	147 028	13 845
- other	-	-
Other services		
- Deloitte	951 411	203 013
- other	-	16 752
Total Deloitte	2 588 140	1 621 188
Total	**2 691 331**	**1 788 117**

Fees include VAT.

23a Events after the end of the reporting period

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

23b Contingent liability

Folksam has on 30. August 2011 filed a lawsuit against Folkia to the Stockholm District Court for trademark and company name infringement, claiming among other things that Folkia's use of FOLKIA infringes on FOLKSAM's trademarks and company names. Folkia has contested Folksam's lawsuit in its entirety in Folkia's Statement of Defense. Folkia has filed a counterclaim against Folksam. Folkia is of the view that Folkia has not infringed on any of Folksam's trademarks or company names and, consequently, that the legal basis for Folksam's claim is scarce.

24 Permits and conditions

Folkia is a licensed Credit- and Finance Institution. Approval was given by the Norwegian Ministry of Finance on 19 December 2007. Information about the license and permitted activities can be found in the Norwegian Financial Institutions Act Section 3-3, 1-2 and 1-5 no.1. Folkia AS's home state Supervisor is Finanstilsynet, Norway.

25 Share capital and shareholder information

The share capital in the parent company as of 31 December 2011 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.

Ownership structure

The largest shareholders in the company as of 31 December 2011	**Shares**	**Ownership share**
BRENNEN CONSULTING LIMITED	1 740 800	10,0%
CNHL LTD	1 740 692	10,0%
CLEARSTREAM BANKING S.A.	1 648 655	9,5%
INTERACTIVE A ISLANDI EHF	1 573 095	9,0%
LANDSYN EHF	1 301 974	7,5%
DANSKE BANK A/S	1 214 100	7,0%
INCOREBANK AG	833 000	4,8%
UBS (LUXEMBOURG) S.A.	606 409	3,5%
NEBRASKA INVEST OY	496 356	2,9%
SIX SIS AG	433 320	2,5%
PEAKSTATE EXAM LTD	428 719	2,5%
PAATERO ILKKA ARTO TAPANI	381 637	2,2%
FÖRETAGSBYGGARNA BUSINESS BUILDERS	288 943	1,7%
FIVADO AS	282 787	1,6%
HIETALA MATTI JUHANI	248 064	1,4%
BERASCO LIMITED	242 869	1,4%
OÜ VIADELLA INVESTMENTS	242 826	1,4%
MARTTINEN MIKKO JUHANI	200 528	1,2%
DYVI JAN ERIK	200 500	1,2%
Shareholders with at least 1,2 % ownership	**14 105 274**	**81,0%**

Own shares, FOLKIA AS	110 174	0,6%
Own shares , FOLKIA AS NORGE, FILIAL SVERIGE	52 742	0,3%
Remaining ownerships	**3 138 726**	**18,1%**
Number of shareholders:	**70**	
Number of shares:	**17 406 916**	**100,0%**

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

Name	**Position**	**Shares**
Hördur Bender (1)	CEO	1 573 095
Finn Terje Schøyen (3)	Chairman of the Board	184 432
Leif Bjørnstad (2)	Director	192 097
Stig Herbern (4)	Director	25 000
Eilif Bjerke	Director	49 000
Mikko Marttinen (5)	Director	722 817
Tord Lendau (6)	Director	833 000
Raivo Aavisto (7)	Director	1 305 600
Total		**2 006 346**

(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) Mikko Marttinen owns shares privately and indirectly through CNHL LTD. Marttinen controls 30% of CNHL LTD.

(6)Tord Lendau owns shares indirectly through INCOREBANK AG.

(7) Raivo Aavisto owns shares indirectly through BRENNEN CONSULTING LIMITED.
Aavisto controls 75% of BRENNEN CONSULTING LIMITED via BRANDBERG OÜ.

26 Capital adequacy

Capital adequacy 31 December (Group)

Equity and subordinated loan capital

	2011	2010
Share capital	87 034 580	86 220 000
Other equity	71 827 569	68 519 479
Equity	**158 862 149**	**154 739 479**
Deductions:		
Intangible assets	-67 203 786	-71 726 209
Deferred tax assets	-21 565 520	-17 386 661
Core capital	**70 092 844**	**65 626 609**
Net equity and subordinated loan capital	**70 092 844**	**65 626 609**

Minimum requirement equity and subordinated loan capital

Credit risk		
Of which:		
Institutions	391 460	-
Mass market commitments	3 578 220	5 181 000
Commitments that have fallen due	2 717 370	1 555 000
Other commitments	868 868	449 000
Total minimum requirement credit risk	**7 555 919**	**7 185 000**
Settlement risk		
Foreign exchange risk	5 199 000	6 688 000
Total minimum requirement market risk	**5 199 000**	**6 688 000**
Operational risk	**16 362 658**	**8 269 344**
Minimum requirement equity and subordinated loan capital	**29 117 297**	**22 142 344**

Capital adequacy

Capital adequacy ratio	19,3%	23,7%
Core capital adequacy ratio	19,3%	23,7%

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

27 Other income

In 2010, an accounting effect of MNOK 5,7 arise from branchification process of Monetti AS (Estonia) and Monetti OY (Finland).

Financial Statements

Folkia AS

2011

Folkia AS
Income Statement

NOTE	INTEREST AND CREDIT COMMISSION INCOME	2011	2010
	Interest income and similar incomes		
	Interest and similar income from loans to and receivables due from credit institutions	36 865	117 216
	Interest and similar income on loans to and receivables due from customers	102 779 027	91 239 863
	Other interest income and similar incomes	14 464	300 391
3	**Total interest and similar income**	102 830 356	91 657 469
	Interest expenses and similar expenses		
	Other interest expenses and similar expenses	-2 094 674	-2 017 822
	Total interest expenses and similar expenses	-2 094 674	-2 017 822
	Net interest and credit commission income	100 735 683	89 639 647
	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	212 883	2 867 507
	Total net change in value and gain/loss on currencies and securities that are current assets	212 883	2 867 507
	Total other operating revenues	212 883	2 867 507
	OTHER OPERATING EXPENSES		
	Salaries and general administrative expenses		
4	Salaries, etc	-29 120 144	-33 545 993
	Total salaries and general administrative expenses	-29 120 144	-33 545 993
	Depreciation, etc, of tangible fixed assets and intangible assets		
5,6	Ordinary depreciation	-12 744 534	-8 760 550
	Total depreciation, etc, of tangible fixed assets and intangible assets	-12 744 534	-8 760 550
	Impairment on tangible and intangible assets		
5,6	Impairment on tangible and intangible assets	0	-442 964
	Total Impairment on tangible and intangible assets	0	-442 964
	Other operating expenses		
19	Other operating expenses	-40 149 525	-54 332 591
	Total other operating expenses	-40 149 525	-54 332 591
	Total depreciation and other operating expenses	-82 014 203	-97 082 098
	Losses on loans, guarantees, etc		
16	Losses on loans	-17 833 885	-13 327 208
	Total losses on loans, guarantees, etc	-17 833 885	-13 327 208
	Shareholder contribution		
	Group contribution	-2 676 488	0
	Total shareholder contribution	-2 676 488	0
	Result on ordinary operations before tax	-1 576 012	-17 902 152
18	Tax on result on ordinary operations	-5 148 052	20 978 560
	RESULT FOR THE YEAR	-6 724 064	3 076 408
	TRANSFERS AND ALLOCATIONS		
9	Transferred to (from) other equity	6 724 064	-3 076 408
	Total transfers and allocations	6 724 064	-3 076 408

Folkia AS
Balance sheet at 31 December

NOTE	ASSETS	2011	2010
	Loans to and receivables from credit institutions		
11,12	Loans to and receivables from credit institutions without an agreed term or cancellation period	24 466 269	10 600 794
	Total net loans to and receivables from credit institutions	24 466 269	10 600 794
	Other assets		
11,12,17	Receivables	18 409 888	8 598 181
	Total other assets	18 409 888	8 598 181
	Loans to and receivables from customers		
11,12,16	Repayment loans	100 656 779	86 344 477
11,12,16	Loss reserves	-20 107 413	-12 957 938
	Total net loans to and receivables from customers	80 549 366	73 386 538
	Total current assets	123 425 522	92 585 514
	Ownership interests in group companies		
7	Shares in group companies	2 948 097	2 948 097
	Ownership interests in other investments	0	77 928
	Total ownership interests in group companies and other investments	2 948 097	3 026 024
	Intangible assets		
18	Deferred tax assets	22 335 536	22 927 443
6	Intangible assets	49 258 478	58 876 616
	Total intangible assets	71 594 014	81 804 059
	Tangible assets		
5	Tangible assets	1 070 106	1 755 144
	Total Tangible assets	1 070 106	1 755 144
	Total non- current assets	75 612 216	86 585 227
	TOTAL ASSETS	**199 037 739**	**179 170 741**

Folkia AS
Balance sheet at 31 December

NOTE	EQUITY AND LIABILITIES	2011	2010
	Liabilities		
	Current liabilities		
20	Other liabilities	53 578 953	26 848 657
	Total current liabilities	53 578 953	26 848 657
	Total liabilities	**53 578 953**	**26 848 657**
	Equity		
	Equity contributed		
8,9	Share capital	87 034 580	87 034 580
8,9	Own shares	-814 580	-814 580
9	Share premium account	74 614 565	74 614 565
	Total equity contributed	**160 834 565**	**160 834 565**
	Retained earnings	-15 375 779	-8 512 481
	Total retained earnings	**-15 375 779**	**-8 512 481**
9	**Total equity**	**145 458 786**	**152 322 084**
	TOTAL EQUITY AND LIABILITIES	**199 037 739**	**179 170 741**

Oslo, 22th March 2012
The Board of Folkia AS

Hördur Bender
CEO

Finn Terje Schøyen
Chairman of the Board

Leif Bjørnstad

Stig Herbern

Mikko Marttinen

Eilif Bjerke

Raivo Aavisto

Tord Lendau

Folkia AS
Cash flow statement

	2011	2010
CASH FLOW FROM OPERATIONS:		
Profit/(loss) before taxation	-1 576 012	-17 902 152
Depreciation and amortization	12 744 534	8 760 550
Impairment of intangible assets	-	442 964
Taxes paid for the period	-4 556 145	-4 340 898
Net change in value and gain/loss on shares, currencies and financial derivatives	-212 883	-2 867 507
Change in trade receivables	-7 162 828	-73 078 347
Changes in other current assets	-9 811 706	67 092 243
Change in trade payables and other short term liabilities	-2 809 329	25 354 801
Changes in inter-company balances	-	-819 824
Adjustments for interests paid/ received but not realized	-2 094 443	-1 998 976
Adjustment for other entries affecting cash flow	-277 977	-
Net cash flow from operations	**-15 756 788**	**642 853**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Outflows due to purchases of fixed assets	-256 841	-179 702
Outflows due to purchases of intangibles	-2 299 554	-1 778 367
Payments due to investments in financial non- current assets	-	-
Additions in cash and cash equivalents due to branchification	-	9 203 813
Net cash flow from investment activities	**-2 556 395**	**7 245 743**
CASH FLOW FROM FINANCING ACTIVITIES:		
Group contribution	2 676 488	-
Change in credit facility	29 539 626	-
Net cash flow from financing activities	**32 216 114**	**-**
Effects of currency rate changes on bank deposits, cash and equivalents	**-37 456**	**577 285**
Net change in bank deposits, cash and equivalents	13 865 475	8 465 881
Bank deposits, cash and equivalents 01.01	**10 600 794**	**2 134 913**
Bank deposits, cash and equivalents 31.12	**24 466 269**	**10 600 794**

Folkia AS

Notes to the accounts, year ended 31 December 2011

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 this process in 2010 and since then operations are 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
Fixed assets leased on conditions which mainly transfer economic risk and control to the company (financial leasing) are considered as fixed assets in the balance sheet. The accompanying leasing obligation is included under interest-bearing long-term liabilities and valued at present value of the leasing payments. The fixed asset is depreciated on a systematic basis, and the liability is reduced with the paid leasing amount less the calculated interest 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. The provisions for losses are recognised in the financial statements based on separate, individual assessments.

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

The financial statements as at 31.12.2011 includes both Folkia AS as a juridical subject as well as its branches in Sweden, Estonia and Finland. In 2010 the company was a subject to a process where the 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 numbers in financial statements of the company. Prior years comparison with numbers of 2009 are related to Folkia AS as a single juridical subject. In 2009 these branches was considered to be independent juridical subjects and was reported on a single unit basis.

Note 3 Interest and similar income per area of operation

Per area of operation:	% of total	From loans to and receivables due from credit institutions	Loans to and receivables due from customers	Other	Total
Norway	0%	18 166	296 372	-	314 538
Sweden	76%	16 029	77 986 147	6 707	78 008 883
Finland	19%	-	19 610 755	7 757	19 618 512
Estonia	5%	2 669	4 885 753	0	4 888 423
Total	**100%**	**36 865**	**102 779 027**	**14 464**	**102 830 356**

Note 4 Payroll costs, number of employees, allowances, loans to employees, etc

Payroll costs	**2011**	**2010**
Wages and salaries	21 207 327	24 162 114
Social security tax	5 442 543	5 708 404
Pension costs	1 454 592	1 263 692
Recruitment and other social benefits	1 015 682	2 411 782
Total	**29 120 144**	**33 545 993**

The amounts include salaries to senior employees.

Number of man-years employed during the financial year	28	32,5
Number of employees	26	32

The company is required to have an occupational pension plan in accordance with Norwegian legislation on occupational pensions. The company's pension plan meets the requirements of this legislation. 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. Estonia has no pension cost or pension benefits.

Directors' remuneration (kNOK)	**Salaries, fees**	**Pensions**
Hördur Bender, CEO 1)	810	84
Other Management 2)	2 240	291
Credit Commitee	50	-
Control Committee	200	-
Board members	850	-
Former CEO, Per Spångberg 3)	1 017	-
Former Management 4)	6 762	346
Total	**11 929**	**722**

1) CEO since March 2011
2) Present management. CFO and General Counsel.
3) Left the company in March 2011
4) Former management before reorganization in March 2011

As at 31.12.2011 there are no loans, or guarantees given to the managing directors, CEO, CFO or other leading officers, except from 2 loans to shareholder.

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

	Loan/Guarantees	**Amount**	**Interest rate**	**Scheduled payment(s)**
Shareholder and former employee Marcus Lindström	Loan	155 173	Government loan + 1%	-
Shareholder and former employee Nickolaus Karlsson	Loan	248 277	Government loan + 1%	-

These loans are to be paid in the same ratio that disposals of shares shareholders have in their possession. Interests 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.

Auto Rex Oy
Owned by board member and main shareholder Mikko Marttinen.

Nexia DA
Owned by, among others, the current Chairman of the board and shareholder Finn Terje Schøyen.

Marinium Oy
Owned by shareholder Kalle Pykälä.

Purchase of goods and services from related parties	**2011**	**2010**
Interactive á Íslandi	1 012 500	1 250 000
Auto Rex Oy	96 325	**0**
Nexia DA	1 807 372	**0**
Marinium Oy	288 125	0
Total	**3 204 322**	**1 250 000**

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.

	2011	**2010**
Statutory audit	1 592 892	1 415 491
Other assurance services	-	139 016
Tax counseling	147 028	13 845
Other non-assurance services	951 411	219 765
Total	**2 691 331**	**1 788 117**

Note 5 Tangible fixed assets

2011 financial year	**Machinery, fixtures, fittings and vehicles**
Carrying amount 01.01.11	**1 755 144**
Additions	256 841
Effect of foreign currency exchange differences	-1 371
Disposals	-82 088
Depreciation during the year	-858 420
Carrying amount 31.12.2011	**1 070 106**
As at 31 December 2011	
Original cost	3 948 929
Accumulated depreciation	-2 878 823
Carrying amount 31.12.2011	**1 070 106**

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

Note 6 Intangible assets

	Goodwill	**Software (including scoringmodell and licenses)**	**Customer relationships**	**Trademarks**	**Total**
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**	**-9 654 703**	**-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**
Original cost 01.01.2011	**45 889 905**	**17 620 994**	**13 332 762**	**10 418 683**	**87 262 344**
Additions	**0**	**2 299 554**	**0**	**0**	**2 299 554**
Swedish branch	-	2 299 554	-	-	-
Danish branch	-	-	-	-	-
Finnish and Estonian branch	-	-	-	-	-
Translation differences		-47 500	0	-196	-47 696
Original cost 31.12.2011	**45 889 905**	**19 873 048**	**13 332 762**	**10 418 487**	**89 514 202**
Accumulated depreciation 01.01.2011	-11 405 490	-9 654 704	-5 611 570	-1 713 964	**-28 385 728**
Depreciation during the year	**-4 588 979**	**-4 109 758**	**-2 666 556**	**-520 925**	**-11 886 218**
Swedish branch	-2 111 796	-2 256 565	-263 808	-422 001	-5 054 170
Danish branch	-895 955		-344 844	-29 624	-1 270 423
Finnish and Estonian branch	-1 581 228	-1 280 012	-2 057 904	-69 300	-4 988 444
Norway	-	-573 181	-	-	-573 181
Translation differences	-	16 031	-	191	16 222
Accumulated depreciation and impairment losses 31.12.2011	-15 994 469	-13 748 430	-8 278 126	-2 234 698	-40 255 724
Carrying amount 31.12.11	**29 895 436**	**6 124 618**	**5 054 636**	**8 183 788**	**49 258 478**

The Board and the management strongly believe that Folkia's goodwill is a vital asset of the company in the long run. Folkia is a well-recognized company in all operating markets and has built up strong positions in the different markets during several years. Folkia has a long perspective strategy and the board and the management have concluded that Folkia's position motivates a longer useful life period than 5 years.

Note 7 Subsidiary

Company	**Date of acquisition**	**Consolidated (yes/no)**	**Registered office**	**Voting share**	**Ownership share**
Folkia AB	Dec 2007	Yes	Stockholm	100%	100%

Company	**Equity (carrying amount) as at 31.12.2011**	**Last annual result as at 31.12.2011**
Folkia AB	3 737 542	-82 091

Folkia AS had one more subsidiaries in comparison with 2010. Fully owned subsidiary DFK Holding ApS, with it's subsidiary Dansk Finansieringskompagni ApS was liquidated in 2011.

Fully owned subsidiaries Monetti AS in Estonia and Monetti OY in Finland was liquidated in 2010 during the branchification process. The subsidiary above are scheduled to liquidate in 2012

Related party transactions, profit and loss

Transaction/transaction type	**Belongs to P&L line**	**Counterpart**	**Relationship to the counterpart**	**2011**	**2010**
Shareholder contribution	*Group contribution*	*Folkia AB*	Subsidiary	2 676 488	-

Related party balance items

Counterpart	**Relationship to the counterpart**	**Accounts receivables 2011**	**Accounts receivables 2010**	**Other receivables 2011**	**Other receivables 2010**
Folkia AB	Subsidiary	-	-	6 886 758	3 993 345
Total		**-**	**-**	**6 886 758**	**3 993 345**

Counterpart	**Relationship to the counterpart**	**Accounts payable 2011**	**Accounts payable 2010**	**Other current liabilities 2011**	**Other current liabilities 2010**
Folkia AB	Subsidiary	-	-	7 864 400	2 471 483
Total		**-**	**-**	**7 864 400**	**2 471 483**

Note 8 **Share capital and shareholder information**

The share capital in the company at 31 December 2011 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 2011:

	Share	Ownership share	Voting share
BRENNEN CONSULTING LIMITED	1 740 800	10%	10%
CNHL LTD	1 740 692	10%	10%
CLEARSTREAM BANKING S.A.	1 648 655	10%	10%
INTERACTIVE A ISLANDI EHF	1 573 095	9%	9%
LANDSYN EHF	1 301 974	7%	7%
DANSKE BANK A/S	1 214 100	7%	7%
INCOREBANK AG	833 000	5%	5%
UBS (LUXEMBOURG) S.A.	606 409	3%	3%
NEBRASKA INVEST OY	496 356	3%	3%
SIX SIS AG	433 320	2%	2%
PEAKSTATE EXAM LTD	428 719	3%	3%
PAATERO ILKKA ARTO TAPANI	381 637	2%	2%
FÖRETAGSBYGGARNA BUSINESS BUILDERS	288 943	2%	2%
FIVADO AS	282 787	2%	2%
HIETALA MATTI JUHANI	248 064	1%	1%
BERASCO LIMITED	242 869	1%	1%
OÜ VIADELLA INVESTMENTS	242 826	1%	1%
MARTTINEN MIKKO JUHANI	200 528	1%	1%
DYVI JAN ERIK	200 500	1%	1%
Total shareholders with minimum 1% ownership	**14 105 274**	**81%**	**81%**
Own shares, FOLKIA AS	110 174	1%	1%
Own shares, FOLKIA AB	52 742	0%	0%
Total remaining shareholders	3 138 726	18%	18%
Total number of shares	**17 406 916**	**100%**	**100%**

Shares and options held by Members of the Board and CEO:

Name	Title	Shares
Hördur Bender (1)	CEO	1 573 095
Terje Finn Schøyen (2)	Chairman of the Board	184 432
Leif Bernhard Bjørnstad (3)	Director	192 097
Stig Magnus Herbern (4)	Director	25 000
Eilif Bjerke	Director	49 000
Mikko Marttinen (5)	Director	722 817
Tord Lendau (6)	Director	833 000
Raivo Aavisto (7)	Director	1 305 600

(1) Hördur Bender owns shares indirectly through INTERACTIVE A ISLANDI EHF.
(2) Terje Finn Schøyen owns shares indirectly through SCHØYEN INDUSTRIER AS.
(3) Leif Bernhard Bjørnstad owns shares indirectly through SMÅFINANS AS.
(4) Stig Magnus Herbern owns shares indirectly through SMH MANAGEMENT A/S.
(5) Mikko Marttinen owns shares privately and indirectly through CNHL LTD. Marttinen controls 30% of CNHL LTD.
(6) Tord Lendau owns shares indirectly through INCOREBANK AG.
(7) Raivo Aavisto owns shares indirectly through BRENNEN CONSULTING LIMITED. Aavisto controls 75% of BRENNEN CONSULTING LIMITED via BRANDBERG OÜ.

Note 9 **Equity**

Paid in equity	Share capital	Share premium	Other equity	Total equity contributed
Equity at 1 January 2011	**86 220 000**	**74 614 565**	**-8 512 481**	**152 322 084**
This year's change in equity:				
Profit/(loss) of the year			-6 724 064	-6 724 064
Translation differences			-139 234	-139 234
Equity at 31 December 2011	**86 220 000**	**74 614 565**	**-15 375 779**	**145 458 786**

Registered share capital	87 034 580
- own shares	814 580

Note 10 Financial market risk

The company's activities entail various types of financial risks. In relation to the company's balance sheet at 31 December 2011, 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 carried out at Group level.

Note 11 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				665 985	665 985
in foreign currency				23 800 284	23 800 284
Loans to and receivables from customers					
in NOK	714 250				714 250
in foreign currency	79 835 116				79 835 116
Ownership in other Group companies					
in NOK				2 948 097	2 948 097
in foreign currency					0
Intangible assets					
in NOK			6 303 488	38 079 214	44 382 702
in foreign currency			4 875 776		4 875 776
Other assets					
in NOK		458 936	16 816	25 082 846	25 558 598
in foreign currency		3 513 371	1 509 240	11 234 321	16 256 932
Total Assets	**80 549 366**	**3 972 307**	**12 705 320**	**101 810 747**	**199 037 739**
in NOK	714 250	458 936	6 320 304	63 828 045	74 269 631
in foreign currency	79 835 116	3 513 371	6 385 015	37 982 702	124 768 108
Equity and liabilities					
Other Liabilities					
in NOK	1 203 520	2 248 662		2 697 310	6 149 492
in foreign currency	4 571 885	37 690 487		5 167 090	47 429 461
Equity					
in NOK				132 911 681	132 911 681
in foreign currency				12 547 105	12 547 105
Total equity and liabilities	**5 775 405**	**39 939 149**	**-**	**153 323 185**	**199 037 739**
in NOK	1 203 520	2 248 662	-	135 608 991	139 061 172
in foreign currency	4 571 885	37 690 487	-	17 714 195	59 976 566
Net liquidity exposure balance sheet items					
in NOK	-489 270	-1 789 726	6 320 304	-71 780 946	-64 791 542
in foreign currency	75 263 232	-34 177 116	6 385 015	20 268 507	64 791 542

Note 12 Period prior to the change in interest rate at 31 December

Assets	Up to 1 month	From 1 to 3 months	From 1 to 5 years	Items without interest rate exposure	Total
Loans to and receivable from credit institutions					
in NOK	665 985				665 985
in foreign currency	23 800 284				23 800 284
Loans to and receivables from customers					
in NOK				714 250	714 250
in foreign currency				79 835 116	79 835 116
Ownership in other Group companies					
in NOK					
in foreign currency				2 948 097	2 948 097
Intangible assets					
in NOK				44 382 702	44 382 702
in foreign currency				4 875 776	4 875 776
Other Assets					
in NOK				26 213 862	26 213 862
in foreign currency				15 601 668	15 601 668
Total Assets	**24 466 269**	**-**	**-**	**174 571 470**	**199 037 739**
in NOK	665 985	-	-	71 310 813	71 976 798
in foreign currency	23 800 284	-	-	103 260 656	127 060 940
Equity and liabilities					
Other Liabilities					
in NOK				6 149 492	6 149 492
in foreign currency			29 539 626	17 889 836	47 429 461
Equity					
in NOK				132 911 681	132 911 681
in foreign currency				12 547 105	12 547 105
Total equity and liabilities			29 539 626	169 498 113	**199 037 739**
in NOK	-	-	-	139 061 172	159 497 098
in foreign currency	-	-	29 539 626	30 436 940	19 673 642
Net liquidity exposure balance sheet items					
in NOK	665 985	-	-	-67 750 359	-67 084 374
in foreign currency	23 800 284	-	-29 539 626	72 823 716	67 084 374

Note 13 Currency positions at 31 December

Currency	Assets	Balance sheet Equity and liabilities	Net position
NOK	71 321 534	139 061 172	-67 739 638
SEK	90 652 174	45 726 512	44 925 662
DKK	3 493 657	-6 615	3 500 272
EUR	33 570 373	14 256 669	19 313 704
Total	**199 037 739**	**199 037 739**	**-**

Note 14 Capital adequacy at 31 December

Equity and subordinated loan capital

	2011	2010
Share Capital	86 220 080	86 220 000
Other Equity	59 238 706	66 102 085
Total Equity	**145 458 786**	**152 322 084**
Deductions		
Intangible assets	-49 258 478	-58 876 616
Deferred tax assets	-22 335 536	-22 927 444
Core Capital	**73 864 772**	**70 518 024**
Net equity and subordinated loan capital	**73 864 772**	**70 518 024**

Minimum requirement equity and subordinated loan capital

Credit risk		
Of which:		
Institutions	391 460	-
Mass market commitments	3 578 220	5 181 000
Commitments that have fallen due	2 509 484	1 555 000
Other commitments	1 794 247	1 553 000
Total minimum requirement market risk	**8 273 412**	**8 289 000**
Settlement risk	-	-
Currency risk	5 198 720	7 183 000
Total minimum requirement market risk	**5 198 720**	**7 183 000**
Operational risk	10 056 735	771 768
Minimum requirement equity and subordinated loan capital	**23 528 866**	**16 243 768**

Capital adequacy		
Capital adequacy ratio	25,1%	34,7%
Core capital adequacy ratio	25,1%	34,7%

Note 15 Secure debt and guarantees, etc.

Book value of assets provided as security for book liabilities

	2011	**2010**
Bank deposits - cash deposits	-	-
Total		

Folkia AS had no assets provided for book liabilities either in 2011 or 2010.

Note 16 Account receivables (microloans)

	2011	**2010**
Microloans	100 656 779	86 344 477
Impairment for probable losses on microloans	-20 107 413	-12 957 938
Net microloans	**80 549 366**	**73 386 539**

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.
The fallen-due dates of the microloans were as follows at 31 December 2011:

	2011	**2010**
Not fallen due	59 637 712	54 794 018
Fallen due 1-30 days ago	7 932 576	6 436 226
Fallen due 31-60 days ago	3 305 475	2 532 127
Fallen due 61-90 days ago	2 915 149	2 153 845
Fallen due more than 90 days ago	26 865 867	20 428 260
Total	**100 656 779**	**86 344 477**

At 31 December 2011, the provisions were NOK 20 107 413.

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

	2011	**2010**
Unspecified loan loss provisions at 1 January	12 957 938	349 815
Additions du to branchification	-	22 206 871
Ascertained loss during the year for which provisions have previously been made	-6 698 304	-23 848 086
Increased unspecified loan loss provisions during the year	13 897 722	15 483 789
Write-back of specified loan loss provisions during the period	-20 099	-2 156 580
Currency translations	-29 844	922 129
Unspecified loan loss provisions at 31 December	**20 107 413**	**12 957 938**

	2011	**2010**
Unspecified loan loss provisions at 1 January		
Unspecified loan loss provisions during the period	17 833 885	13 327 208
Unspecified loan loss provisions at 31 December	**17 833 885**	**13 327 208**

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 17 Other receivables

	2011	2010
Intercompany accounts with Group companies	6 932 058	4 022 873
Pre-paid costs and deposits	9 313 652	3 965 130
Other receivables	2 164 178	610 178
Total other receivables	**18 409 888**	**8 598 181**

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 the process into branch structure.

Note 18 Tax

The tax payable for the year is calculated as follows:	**2011**	**2010**
Tax payable on foreign revenue	-4 556 146	-2 289 070
Change in deferred tax asset	1 697 163	18 027 612
Tax income due to conversion to branch structure	-	5 240 018
Reversal deferred tax asset 2010 due to foregn tax payable considered to be a final tax expense - no deduction can be claimed in the future	-2 289 070	-
Tax on the result on ordinary operations	**-5 148 053**	**20 978 560**

Reconciliation from the nominal to the actual tax rate	**2011**	**2010**
Result for the year	-1 576 012	-17 902 152
Estimated income tax according to the nominal tax rate	-441 283	-5 012 603
The tax effect of the following items:		
Non-deductable expenses	-1 255 879	-10 725 939
Tax income due to conversion to branch structure	-	-5 240 018
Tax payable on foregn income 2011	4 556 146	-
Reversal deferred tax asset 2010 due to foreign tax payable considered to be a final tax expense - no deduction can be claimed in the future	2 289 070	-
Tax	**5 148 053**	**-20 978 560**
Effective tax rate	**-31%**	**85%**

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

The transfers of assets and liabilities to the branches was 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:

	2011		**2010**	
	Benefit	**Obligation**	**Benefit**	**Obligation**
Tangible and intangible assets	5 514 049	-	7 300 009	-
Receivables	-	-	1 913 153	-
Carry-forward loss	16 821 486	-	11 425 211	-
Adjustments for tax paid in branches	-	-	2 289 070	-
Total	**22 335 536**	**-**	**22 927 443**	**-**
Net deferred tax assets in the balance	**22 335 536**		**22 927 443**	

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

Note 19 Other operating expenses

Specification of other operating costs	**2011**	**2010**
Fees services/external advisors	11 199 158	12 457 157
Leasing of premises	2 397 487	2 346 106
Sales and marketing expenses	11 898 263	18 487 813
Other costs	14 654 616	21 041 515
Total	**40 149 525**	**54 332 591**

The fees relate to financial and legal assistance in connection with acquisitions, audits, accounting etc.
The leasing of premises relates to the leasing of the office and parking facilities. 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 20 Other liabilities

Specification of other liabilities	2011	2010
Loans to Group companies	5 167 090	2 471 483
Approved, invoiced but not paid out loans	3 145 557	6 926 803
Accounts payable	2 164 323	4 610 119
Govt. charges and special taxes	5 837 107	2 075 340
Salaries owed	2 468 546	3 326 003
Loan from credit institutions (credit facility)	29 539 626	-
Other liabilities	5 256 704	7 438 910
Total	**53 578 953**	**26 848 657**

The credit facility is linked to an agreement with Svea Ekonomi both in Sweden and Finland.

Note 21 Events after balance sheet day

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

Note 22 Contingent liabilities

Folksam has on 30. August 2011 filed a lawsuit against Folkia to the Stockholm District Court for trademark and company name infringement, claiming among other things that Folkia’s use of FOLKIA infringes on FOLKSAM’s trademarks and company names. Folkia has contested Folksam’s lawsuit in its entirety in Folkia's Statement of Defense. Folkia has filed a counterclaim against Folksam. Folkia is of the view that Folkia has not infringed on any of Folksam’s trademarks or company names and, consequently, that the legal basis for Folksam’s claim is scarce.

Deloitte.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Folkia AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Folkia AS, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements of the parent company comprise the balance sheets as at December 31, 2011, the income statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at December 31, 2011, the statement of comprehensive income, the statement of changes in equity, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as The Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion on the financial statements for the parent company
In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Folkia AS as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group
In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Folkia AS as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the allocation of the profit/coverage of loss
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal in the financial statements for the coverage of the loss complies with the law and regulations and that the information is consistent with the financial statements.

Opinion on Registration and Documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, March 22, 2012
Deloitte AS

Eivind Skaug
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

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Til generalforsamlingen i Folkia AS

REVISORS BERETNING

Uttalelse om årsregnskapet

Vi har revidert årsregnskapet for Folkia AS som består av selskapsregnskap og konsernregnskap. Selskapsregnskapet består av balanse per 31. desember 2011, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger. Konsernregnskapet består av oppstilling av finansiell stilling per 31. desember 2011, oppstilling av totalresultat, oppstilling av endringer i egenkapital, oppstilling av kontantstrømmer for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge for selskapsregnskapet og i samsvar med International Financial Reporting Standards som fastsatt av EU for konsernregnskapet, og for slik intern kontroll som styret og daglig leder finner nødvendig for å muliggjøre utarbeidelsen av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Revisors oppgaver og plikter

Vår oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder International Standards on Auditing. Revisjonsstandardene krever at vi etterlever etiske krav og planlegger og gjennomfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for selskapets utarbeidelse av et årsregnskap som gir et rettvisende bilde. Formålet er å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll. En revisjon omfatter også en vurdering av om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene utarbeidet av ledelsen er rimelige, samt en vurdering av den samlede presentasjonen av årsregnskapet.

Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon om selskapsregnskapet og vår konklusjon om konsernregnskapet.

Deloitte.

Konklusjon om selskapsregnskapet
Etter vår mening er morselskapets årsregnskap avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av den finansielle stillingen til Folkia AS per 31. desember 2011 og av selskapets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Konklusjon om konsernregnskapet
Etter vår mening er konsernregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av den finansielle stillingen til konsernet Folkia AS per 31. desember 2011 og av konsernets resultater og kontantstrømmer for det avsluttede regnskapsåret i samsvar med International Financial Reporting Standards som fastsatt av EU.

Uttalelse om øvrige forhold
Konklusjon om årsberetningen og dekning av tap
Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet og forutsetningen om fortsatt drift, samt forslaget i årsregnskapet til dekning av tap, er i samsvar med lov og forskrifter og at opplysningene er konsistent med årsregnskapet.

Konklusjon om registrering og dokumentasjon
Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 22. mars 2012
Deloitte AS

Eivind Skaug
Eivind Skaug
statsautorisert revisor