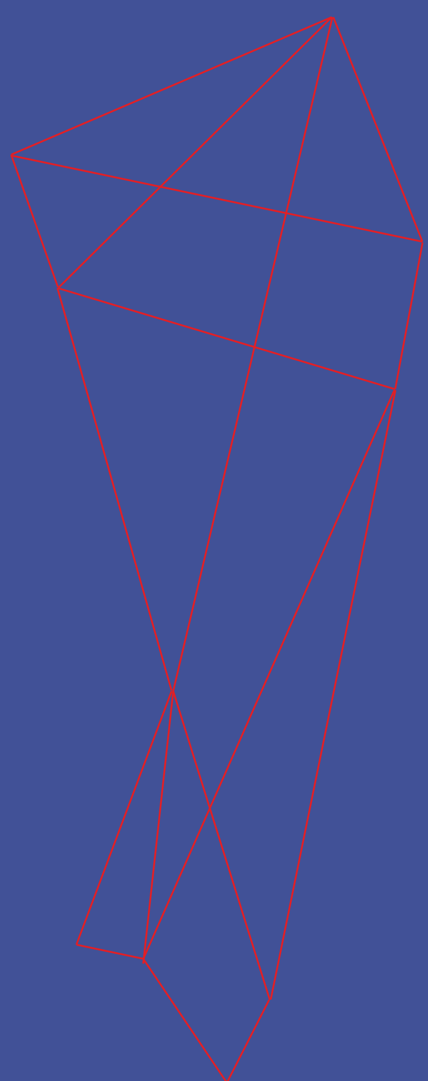
Annual report 2014



B2 HOLDING

The nature of the business and its operations

B2Holding AS is the parent company of a group of companies within the debt management and service industry. The company started its activities in 2012, and has since then experienced a strong growth. The B2 Holding Group aims to build a multijurisdictional platform with focus on partly and non-performing loans (NPL), debt restructuring and debt refinancing, with ability to serve as the debt solution provider to both retail and corporate clients. Third party debt collection is one of the other services that is offered from some of the companies in the Group. The B2Holding Group has operations in the Nordic countries, the Baltics, Poland and the Balkans, and is targeting continued growth in the Central and Eastern Europe market (CEE).

B2Holding AS is headquartered in Oslo and had at the end of the year 5 employees – 1 woman and 4 men. In the B2Holding Group the total number of employees at year end was 1,100, comprised of 682 women and 418 men.

An essential component of the strategy is to have market presence through ownership of companies that can administer and collect both their own and others' loan portfolios. In 2014, B2Holding AS completed two strategically important acquisitions. In January Creditreform Latvija SIA, with a total of 80 employees, was incorporated into the B2Holding Group. Then in August Polish ULTIMO S.A., with a total of 780 employees, became part of the Group. In 2014 B2Holding AS also purchased a substantial portfolio from Hypo Alpe Adria in the Balkans, leading to start-ups in Serbia, Slovenia and Montenegro. As a result of this, the Group was established with operations in ten countries at the end of 2014.

B2Holding AS has operations in the Nordic countries through Sileo Kapital AB (90.9% owned) in Gothenburg, Sweden, and the fully owned subsidiary Interkreditt AS in Ålesund, Norway. Through OK Perintä Oy (100% owned) the Group is established both in Finland and Estonia. The headquarter of OK Perintä OY is located in Vaasa with other offices in Helsinki and Tampere, while the company in Estonia is located in Tallinn. Creditreform Latvija SIA (99.5% owned) is situated in Riga.

The ULTIMO Group (100% owned by B2Holding) has been present on the Polish debt management market since 2002, and is headquartered in Wroclaw. The subsidiary Ultimo Portfolio Investment (Luxembourg) SA is a vehicle to acquire certain other portfolios.

In the Balkans the B2Holding group is present through the fully owned subsidiary B2 Kapital d.o.o. situated in Zagreb, Croatia, and the company also runs operations in Ljubljana in Slovenia, Belgrade in Serbia and Podgorica in Montenegro. The regional management is located in Vienna (B2 Kapital GmbH).

Continuous operation

In accordance with the Norwegian Accounting Act § 3-3a, the management verifies that the grounds for continuous operation is present and the annual accounts is based on the going concern assumption. Management expectations are reflected in the financial forecast for the years 2015 and 2016 in addition to long-term strategic forecasts. The B2Holding Group is in a healthy financial position.

Future development

The Group is equipped for continuous expansion in a market where the development of the Group's services/business in Europe is deemed attractive in the short and long term. This is especially true for the core business – acquisition of partly and non-performing loans. The supply of these types of loans is expected to rise in markets where the B2Holding Group is already established and in those markets being considered. The competitive environment is expected to slightly increase.

As expected, 2014 was a year of geographical expansion for B2Holding AS. The Group continues to consider companies and NPLs for acquisition within the CEE area.

The efforts to establish an improved balance between debt and equity is expected to be accomplished by end of third quarter 2015. At present, there are two lines of credit from two different banks in Norway and Finland respectively. As well as cooperation with the banks, the Group is planning for a bond financing. The Group will on a continuous basis also consider possibilities to cooperate with international strategic partners when acquiring loan portfolios above a certain threshold in the way of shared ownership of the portfolio(s) at hand. A company in the Group will also in these situations be responsible for the collection.

The plan is for B2Holding to be publicly listed within the next 6 – 8 months.

Explanation of financial statements

The Group has in 2014 implemented IFRS as adopted by EU. B2Holding AS' revenue in 2014 was NOK 0 (NOK 0.1 million), while total operating revenue for the Group amounted to NOK 510.2 million (NOK 231.5 million). Profit of the year after tax amounted to NOK 33.8 million in 2014 (NOK 28.8 million) and NOK 52.1 million in 2014 (NOK 1.7 million) for B2Holding AS and the B2Holding Group respectively.

Expenses relating to the development of IT-systems and the Group's services are not activated, but are expensed over the income statement.

The consolidated operating cash flow of the Group was NOK 199.0 million (NOK 216.2 million) at the end of the year, while the profit before tax was NOK 71.6 million (NOK 5.8 million). The difference is caused by the write-down on portfolios, fixed assets, and intangibles.

B2Holding AS' balance of cash and equivalents at the end of the year was NOK 117.3 million (NOK 62.1 million) while the consolidated balance of cash and equivalents for the Group was NOK 294.1 million (NOK 117.1 million). The Group's ability to self-finance its investments is solid.

The short-term debt in B2Holding AS was at year-end 13.7% (1.4%) of the total debt in B2Holding AS. Short-term debt in the B2Holding Group was at the end of the year 29.4% (25.0%) of total debt in the Group. The parent company, B2Holding AS, and the Group as a whole are both in a solid financial position; both entities are able to cover short-term debt by means of their current assets. The total assets at the end of the year was NOK 1,774 million (NOK 711 million) in B2Holding and NOK 2,960 million (NOK 734 million) in the Group. The respective equity ratio for the parent company and the Group was 84.1% (62.7%) and 46.3% (38.1%).

Financial risk

Overall objective and strategy

B2Holding AS is exposed to a number of financial risks. The objective is to negate these risks in a prudent manner. The current strategy employed by the company does not include use of financial instruments, but the option to do so is assessed by the Board on an ongoing basis. From 2014 and onward, new credit facilities will be matched with the currency in which earnings, and thus interest payments, are made.

Market risk
B2Holding AS is exposed to changes in foreign exchange rates, especially changes in the Polish Zloty, Euro and Swedish Krona, as a substantial share of the company's profits are earned in these local currencies. The company has not as of yet entered into futures contracts or other types of contracts intended to reduce the company's currency risk, and consequently the corresponding operational market risk. This is done due to the long-term nature of the return on investment. The short-term fluctuations in the local currencies to which the Group is exposed are expected to smooth out over time.

The company will in the future also be subject to change in interest rates, as the company's debt has a floating interest rate. Change in interest rates will also affect the investment opportunities going forward.

The company is exposed to acquisition risks in buying companies and portfolios of claims. This risk is managed through the continuous monitoring of performance measured against a planned investment thesis. All investments in the group are within a small variance of plan, with most investments performing better than plan.

Credit risk
There is moderate risk associated with investment in loan portfolios. This risk can be attributed to the fact that such portfolios are comprised of many debtors with different demographic and geographic backgrounds. This risk has been discerned as a result of the extensive experience of the Group in the industry.

No contracts or other financial instruments are entered into or used in order to offset credit risk.

In addition there is a repayment risk of the rolling credit facility, due April 2016. The company is at the final stage of renegotiation of a new four years facility.

Liquidity risk
Both B2Holding AS and the B2Holding Group are considered to have good liquidity margins at 31 December 2014.

Workplace environment and employees

There was no sick leave in B2Holding AS in 2014. Throughout 2014, no accidents resulting in serious injury or material damage have been reported.

The workplace environment is considered to be positive, and implementations for improvement are made on a continuous basis.

Equality
The Group aims to be a workplace where there is gender equality. The Group employs a policy where no discrimination is allowed in issues relating to wages, promotion, or recruitment.

Discrimination
The Discrimination Act aims to promote equal opportunities and rights, and prevent discrimination based on ethnicity, nationality, lineage, skin color,

language, religion or spiritual affiliation. The Group works actively, purposefully, and systematically to promote and ensure the Group adheres to the laws laid out by the Discrimination Act. These activities are targeted at recruitment, wage and working conditions, promotion, development, and protection against harassment.

The Group strives to be a workplace where no discrimination is made as a result of mental disability or physical limitations. The Group works actively and systematically to design and facilitate the physical environment in a way so that it can be utilized by as many as possible. Employees and applicants with physical disabilities will receive individual solutions in order to facilitate their workplace environment and responsibilities.

Environment and corporate social responsibility (CSR)

As part of the work to strengthen the Group, emphasis will be placed on setting group standards within the areas of human rights, employee rights and social conditions, the environment, anti-corruption and ethics.

The Group is not regulated by licenses or restrictions associated with activities that pollute the environment.

Annual profits and distributions

The Board has proposed to distribute the year-end net income of the parent company B2Holding AS, as follows:

Allocated to retained earnings:	NOK 33,824,000
Total distributions:	**NOK 33,824,000**

Oslo, 17 June 2015

Jon Harald Nordbrekken
Chairman of the Board

Kjetil Garstad
Board Member

Trygve Lauvdal
Board Member

Per Kristian Spone
Board Member

Niklas Wiberg
Board Member

Olav Dalen Zahl
Chief Executive Officer

Financial statements

Zagreb is the capital and the largest city of the Republic of Croatia. The city is also the most important transport hub in Croatia where Western Europe, the Mediterranean and Southeast Europe meet.

Consolidated income statement

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2014	2013
Operating revenue			
Interest income on purchased loan portfolios	6	399,388	142,915
Revenue from external collection		90,939	85,922
Other operating revenues		19,899	2,697
Total operating revenues		**510,226**	**231,534**
Changes in portfolio cashflow estimates		**518**	**-43,686**
Net operating revenues	**8**	**510,744**	**187,848**
External cost of services provided	9	-118,901	-61,693
Personnel costs	10	-136,206	-71,560
Depreciation of tangible fixed assets	15	-4,097	-1,983
Amortisation of intangible assets	16	-7,889	-848
Other operating expenses	11	-152,167	-46,240
Total operating expenses		**-419,260**	**-182,324**
Operating profit		**91,484**	**5,524**
Share of results in associated companies	17	283	
Other interest income	12	1,845	1,661
Other financial income	12	43,102	24,491
Other interest expenses	12	-43,905	-15,895
Other financial expenses	12	-21,258	-10,007
Net financial items		**-19,933**	**250**
Profit for the year before tax		**71,551**	**5,774**
Income tax expense	13	-12,519	-8,752
Change in deferred taxes	13	-6,940	4,713
Profit for the year after tax		**52,092**	**1,735**
Of which attributable to:			
Parent company shareholders		46,773	12,498
Non-controlling interests		5,319	-10,763
		52,092	**1,735**
Earnings per share attributable to parent company shareholders:			
Basic	14	0.24	0.10
Diluted	14	0.24	0.10

Consolidated statement of comprehensive income

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2014	2013
Profit for the year after tax		**52,092**	**1,735**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Net gain on hedge of net investment in foreign operations		22,096	16,430
Income tax effect	13	-5,966	-4,436
		16,130	**11,994**
Exchange differences on translation of foreign operations		36,556	-16,986
Other comprehensive income for the year, net of tax		**52,686**	**-4,992**
Total comprehensive income for the year, net of tax		**104,778**	**-3,257**
Of which attributable to:			
Parent company shareholders		99,384	8,197
Non-controlling interests		5,394	-11,454
		104,778	**-3,257**

Consolidated statement of financial position

All figures in NOK'000s unless otherwise stated

At 31 December	Notes	2014	2013	At 1 January 2013
Non current assets				
Tangible fixed assets	15	22,807	4,470	4,460
Intangible assets	16	82,022	4,322	3,531
Goodwill	16	302,122	15,042	3,614
Investments in associated companies	17	1,895		
Purchased loan portfolios	6	2,016,705	562,072	53,789
Loan receivables	6	168,182	6,663	
Deferred tax asset	13	11,930	13,791	2,249
Total non-current assets		**2,605,663**	**606,360**	**67,643**
Current assets				
Accounts receivable	18	27,985	5,375	3,300
Other short term assets	19	32,346	4,997	3,474
Cash and short term deposits	**20**	**294,148**	**117,660**	**65,705**
		354,479	**128,032**	**72,479**
Total assets		**2,960,142**	**734,392**	**140,122**
Equity				
Share capital	21	30,904	14,767	5,770
Other paid in capital	21	1,403,198	406,695	184,484
Other capital reserves	22	1,415	1,415	1,415
Foreign currency translation reserve		47,847	-4,301	
Other equity		-109,540	-126,068	-138,566
Total equity attributable to parent company shareholders		**1,373,824**	**292,508**	**53,103**
Equity attributable to non-controlling interests		-1,672	-12,672	-1,218
Total equity		**1,372,152**	**279,836**	**51,885**
Non-current liabilities				
Long term interest bearing loans and borrowings	23	1,053,475	301,632	15,005
Deferred tax liabilities	13	32,417	10,536	
Post-employment liabilities	24	323		
Other long term liabilities	25	34,241	28,330	34,001
Total long term liabilities		**1,120,456**	**340,498**	**49,006**
Current liabilities				
Short term interest bearing loans and borrowings	23	159,336	41,189	5,594
Accounts and other payables	26	121,223	30,995	12,062
Income taxes payable	13	8,949	3,192	2,232
VAT, payroll and other indirect taxes	27	22,405	4,121	2,952
Other current liabilities	28	155,621	34,561	16,391
Total current liabilities		**467,534**	**114,058**	**39,231**
Total liabilities		**1,587,990**	**454,556**	**88,237**
Total equity & liabilities		**2 960 142**	**734 392**	**140 122**

Oslo, 17 June 2015

Jon Harald Nordbrekken, *Chairman of the Board*

Kjetil Garstad, *Board Member*

Trygve Lauvdal, *Board Member*

Per Kristian Spone, *Board Member*

Niklas Wiberg, *Board Member*

Olav Dalen Zahl, *Chief Executive Officer*

Consolidated statement of changes in equity

All figures in NOK'000s unless otherwise stated

	Attributable to parent company shareholders							
	Share capital	Other paid-in capital	Other capital reserves	Foreign currency translation reserve	Other equity	Total	Non-controlling interests	Total equity
At 1 January 2013	**5,770**	**184,484**	**1,415**	**0**	**-138,566**	**53,103**	**-1,218**	**51,885**
Profit for the year after tax					12,498	12,498	-10,763	1,735
Other comprehensive income, net of tax				-4,301		-4,301	-691	-4,992
Total comprehensive income				-4,301	12,498	8,197	-11,454	-3,257
Issue of share capital (note 21)	8,997	222,211				231,208		231,208
At 31 December 2013	**14,767**	**406,695**	**1,415**	**-4,301**	**-126,068**	**292,508**	**-12,672**	**279,836**
Profit for the year after tax					46,773	46,773	5,319	52,092
Other comprehensive income, net of tax				52,611		52,611	75	52,686
Total comprehensive income				52,611	46,773	99,384	5,394	104,778
Issue of share capital (note 21)	16,137	1,020,860				1,036,997		1,036,997
Transaction costs (note 21)		-24,357				-24,357		-24,357
Non-controlling interest arising on business combinations (note 7)							355	355
Acquisition of non-controlling interests (note 7)				-463	-30,245	-30,708	5,251	-25,457
At 31 December 2014	**30,904**	**1,403,198**	**1,415**	**47,847**	**-109,540**	**1,373,824**	**-1,672**	**1,372,152**

Consolidated statement of cash flows

All figures in NOK'000s unless otherwise stated

Year ended 31 December	2014	2013
Cash flow from operating activities		
Profit for the year before tax	71,551	5,774
Adjustment for non-cash items:		
Interest income on purchased loan portfolios and change in portfolio cashflow estimates	-399,906	-99,229
Depreciation and amortisation of assets	11,986	2,831
Interest expense on interest bearing loans	43,905	15,895
Unrealised foreign exchange differences	-70,247	-12,290
Operating cashflows:		
Cash collection from purchased loan portfolios	629,627	331,236
Interest paid on interest bearing loans and borrowings	-32,866	-12,880
Income tax paid during the year	-10,819	-8,796
Operating capital adjustments:		
Decrease/(increase) in current assets	-31,306	-3,376
Decrease/(increase) in other non-current financial assets	-26,939	-6,663
Increase/(decrease) in current liabilities	31,406	8,795
Increase/(decrease) in non-current liabilities	-17,216	-5,671
Other items	-149	536
Net cash flow from operating activities	**199,027**	**216,162**
Cash flow from investing activities		
Purchase of loan portfolios	-526,639	-680,692
Acquisition of subsidiary companies, net of cash acquired	-605,694	-9,960
Purchase of tangible and intangible fixed assets, net of disposals	-11,987	-3,012
Acquisition of non-controlling interest	-16,992	0
Net cash flow from investing activities	**-1,161,312**	**-693,664**
Cash flow from financing activities		
Proceeds from the issue of new shares, net of transaction costs	1,004,177	231,208
Proceeds from new external loans during the year	926,797	318,564
Repayment of external loans during the year	-805,825	-16,730
Net cash flow from financing activities	**1,125,149**	**533,042**
Net cash flow during the year	**162,864**	**55,540**
Cash and cash equivalents at 1 January	117,660	65,705
Exchange rate difference on currency conversion	13,624	-3,585
Cash and cash equivalents at 31 December	**294,148**	**117,660**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 1 General information, basis of preparing the consolidated financial statements and consolidation principles

1.1 General information
B2Holding AS (the Company) and its subsidiaries (together the Group) operates in the Portfolio segment. The Portfolio segment consists of the acquisition, management and collection of unsecured non-performing loans.

B2Holding AS is a private liability company incorporated and domiciled in Norway. The Company's registered office is at Stortingsgaten 22, 0119 Oslo, Norway.

The consolidated financial statements of the Group for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Board of Directors on 17 June 2015.

1.2 Basis of preparing the consolidated financial statements
The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and interpretations set by the International Accounting Standards Board (IASB).

For all periods up to and including the year ended 31 December 2013, the Group prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). These financial statements for the year ended 31 December 2014 are the first the Group has prepared in accordance with IFRS. For information on how the Group adopted IFRS, please refer to note 4.

The consolidated financial statements have been prepared on a historical cost basis except for interest rate swaps which are recorded at fair value. The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK'000) except when otherwise indicated. B2Holding AS has from the year end 31 December 2014 been permitted by the Norwegian authorities to publish its financial statements in English only.

The consolidated financial statements of the Group have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

The policies set out below have been consistently applied to all the years presented unless otherwise stated.

1.3 Consolidation principles
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (ie. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTE 2 Summary of significant accounting policies
The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements.

2.1 Business combinations and goodwill
Business combinations are accounted for using the acquisition method. According to this method, acquisitions of subsidiaries are viewed as transactions by which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities, and values those assets and liabilities meeting the conditions for recognition under IFRS 3, Business combinations, at their fair value on the acquisition date.

The Group's cost of the subsidiary's shares or operations consists of the fair value of the consideration given on the transfer date, including any conditional purchase consideration, which is recognised as a liability at fair value at the acquisition date, as well as the amount of any non-controlling interest in the subsidiary.

Non-controlling interests arise in cases where the acquisition does not relate to the entire subsidiary. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in other operating expenses in accordance with the acquisition method. The Group's equity will only includes the portion of the subsidiary's equity added since acquisition.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

In business combinations where the Group's cost exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is reported as an asset, called goodwill. If the difference is negative, it is recognised directly in the income statement.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units ('CGU'), that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by IFRS 8, Operating Segments.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired by comparing the carrying amount of the CGU, including goodwill, with the recoverable amount of the CGU. The Group calculates the recoverable amount of the CGU by determining the higher of the fair value less cost to sell, and its value in use. The key assumption for the value in use calculation is that regarding the forecast cash flows during the forecast period. If the recoverable amount of the CGU is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised immediately in the income statement and is not reversed in a subsequent period.

On disposal of an operation within a CGU to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the profit or loss on disposal.

2.2 Investments in associated companies

Associated companies are companies that are not subsidiaries but where the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over these policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associated companies are recognised in the consolidated accounts according to the equity method, which means that the investment is recognised at cost and subsequently adjusted to the Group's share of the change in the associated company's net assets since acquisition date. The equity method is applied from the date a significant influence arises until the time it ceases or the associated company becomes a subsidiary.

The value of investments in associated companies includes goodwill from the acquisition which is neither amortised nor individually tested for impairment. Instead, the Group determines at each reporting date whether there is objective evidence that the investment in the associate is impaired and, if so, recognises an impairment loss on its total investment in its associate being the difference between the recoverable amount of the associate and its carrying value.

The Group's share of the profit or loss after tax and non-controlling interests in the subsidiaries of the associate, less goodwill impairment, is shown on the face of the income statement on the line 'Share of results in associated companies'.

Dividends received from the associate are not recognised in the income statement but instead reduce the carrying value of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. Where there has been a change recognised in other comprehensive income or directly in the equity of the associate, the Group recognises its share of any changes, when applicable.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

If the Group's share of reported losses in the associated company exceeds its carrying value, the carrying value is reduced to zero. Losses can be offset against the Group's unsecured receivables from the associated company if they constitute part of the net investment. Further losses are not recognised provided the Group has not issued guarantees to cover them.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the income statement.

2.3 Foreign currencies

The Group's consolidated financial statements are presented in Norwegian kroner, which is also the parent Company's functional currency. Each entity in the Group determines its own functional currency based on local operations, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in a currency other than the local functional currency are recognised at the exchange rate in effect on the transaction date. When such transactions are settled, any difference in the exchange rate will give rise to a realised exchange rate gain or loss. Monetary assets or liabilities in a currency other than the local functional currency are translated at the exchange rates on each balance sheet date and will give rise to an unrealised exchange rate gain or loss. Both realised and unrealised exchange rate differences are recognised in net financial items in the income statement.

On consolidation, the income statements and balance sheets of Group companies with functional currencies other than Norwegian kroner are translated as follows. The assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate at the relevant balance sheet date, and income and expenses for each income statement (including comparatives) are translated at average rate for the relevant period, which serves as an approximation of the rate that applied on each transaction date.

Translation differences arise on the translation of foreign operations in part because the exchange rates on the balance sheet dates change each year and in part because the average rate for the period differs from the exchange rate on the balance sheet date. All translation differences are recognised in other comprehensive income as the year's change in the foreign currency translation reserve. On the disposal of a net investment, the cumulative amount in the translation reserve related to the foreign operation is reclassified to the income statement as part of the gain or loss on disposal.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Any goodwill arising on the acquisition of a foreign operation, and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

When the settlement of a monetary item receivable from or payable to a foreign subsidiary is neither planned nor likely in the foreseeable future, the unrealised exchange rate gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented as part of the foreign currency translation reserve component of equity.

2.4 Purchased loan portfolios

Purchased loan portfolios consist of portfolios of non-performing loans and debt, purchased at prices significantly below the nominal receivable. They are recognised at amortised cost according to the effective interest method in accordance with the rules for loans and receivables set out in IAS 39. All portfolios are classified as non-current assets in the statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income to the income statement over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or when appropriate a shorter period, to the net carrying amount of the financial asset.

In connection with purchased loan portfolios, the effective interest rate is calculated provisionally based on the acquisition cost, including all transaction costs, and estimated future cash flows which includes the nominal amount, reminder fees, collection fees and late interest that, based on a probability assessment, are expected to be received from debtors.

Each portfolio is initially recorded in the statement of financial position at cost, including all transaction costs, and interest income on purchased loan portfolios is accrued quarterly in the income statement based on each portfolios effective interest rate. Monthly cash flows greater than the cash flow forecast for the same period are recorded as income in the period. Likewise, monthly cash flows that are less than the monthly cash flow forecast for the same period are recorded as a reduction of income in the period. Price adjustments for portfolios acquired are recorded as an adjustment to the statement of financial position.

Portfolios are defined to be the lowest reliable level for aggregating accounts with similar attributes, such as accounts in the same jurisdiction or similar types or classes of debt. Typically, each portfolio consists of an individual acquisition of accounts. The portfolio is accounted for as a single unit for the recognition of income, principal payments and adjustments due to the recalculation of the estimated future cash flows.

Significant estimates have been made by Management with respect to the collectability of future cash flows from portfolios. The cash flow estimates are prepared by Management over a forecast period of time. If the cash flow estimates are revised, the carrying amount is recalculated by computing the present value of estimated future cash flows using the original effective interest rate. A reduction in the carrying amount is recorded as a reduction in income while an increase in the carrying amount is recognised as an increase in income. Both are recorded as an adjustment to "Changes in portfolio cashflow estimates" in the income statement.

Management's interpretations of historical cash flows, type of receivable, age, face value of the individual account and experience from other portfolios form the basis for the cash flow estimates. Actual results may differ from the estimates, making it reasonably possible that a change in estimates could occur and impact the carrying value of the related loans and receivables. On a quarterly basis, Management reviews the estimates of future cash flows and whether it is reasonably possible that its assessment of collectability may change based on actual results and other factors that may have an impact on the estimates. Where Management is made aware of special circumstances relating to a portfolio that may effect the reliability of previous assumptions, they will review and, if necessary, change the future cash flow estimates on a monthly basis.

From time to time, the Group acquires portfolios on a forward flow basis. This means that a contract is established for purchases of debts at an agreed price as a percentage of nominal receivable, but where the volumes of debts are not fully known at the time of agreement. The acquisition (delivery) of forward flow debts can be done on a monthly basis. For reporting and IFRS evaluation purposes, the Group combines these acquisitions into portfolio pools, and sets future collection expectations based on these combined pools. The internal rate of return can therefore vary from each pool based on content of the pool.

2.5 Segments

An operating segment is a part of the Group from which it can generate income and incur expenses and for which separate financial information is available that is evaluated regularly by the chief operating decision maker, the Chief Executive Officer, in deciding how to assess performance and allocate resources to the operating segment.

The Group's operating segments are the geographical regions, Norway, Sweden, Finland including Estonia, Poland, Latvia, Balkans (Croatia, Slovenia, Serbia and Montenegro) and Other (including the parent company and the Netherlands). The breakdown by geographical region is also used for internal monitoring in the Group.

Net revenue and operating profits are reported by geographical region but financial income and expenses are not as the allocation of financial items is dependent on the Group structure and financing and is not affected by the actual performance of the regions.

2.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties.

The following specific recognition criteria must also be met before revenue is recognised.

Income on purchased loan portfolios:
The method of accounting for interest income is explained in more detail in section 2.4 above.

Revenue from external collection:
Revenue, consisting of commissions and collection fees, is recognised on collection of the debt.

Unidentified receipts and excess payments:
The Group receives large volumes of payments from debtors for itself and its clients. There are instances where the sender's reference information is

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

missing or incorrect making it difficult to allocate the payment to the right case. There are also situations where payments are received on closed cases. In such instances, a liability is recognised in the statement of financial position for unidentified or incorrectly received payments . A reasonable search and attempt to contact the payment sender is made but, failing this, the payment is recognised as income at intervals that are permitted according to the rules and business practices of the local jurisdiction.

Other revenue:
This includes subscription income for credit information and other services which is recognised proportionately over the term of the underlying service contract which is usually one year.

Dividends:
Revenue is recognised when the Group's right to receive the payment is established, which is generally when the shareholders have approved the dividend.

2.7 Taxes

Current income tax:
Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

Income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the income statement.

Deferred tax:
Deferred income tax is computed using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts in the statement of financial position at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax:
Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- where the sales tax incurred on the purchase of assets or services is not recoverable from the tax authority so that the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item. This is the case in many of the tax jurisdictions in which the Group operates where the collection of debts is not subject to sales tax; and
- receivables and payables which are subject to sales tax are stated with the amount of sales tax included.

The net amount of the sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

2.8 Tangible fixed assets

Tangible fixed assets, such as improvements to rented offices, equipment, fixtures and fittings are stated at cost, less accumulated depreciation and accumulated impairment in value. Cost includes the purchase price and costs directly attributable to installing the asset in the way intended. Repair and maintenance costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the useful life of these assets, and for improvements to rented offices, over the remaining expected term of the property lease, if this is less than the useful life. The useful lives of these tangible fixed assets mentioned above are from three to ten years. For practical reasons, the residual value of the asset is set to zero.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The tangible fixed assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the tangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the tangible asset) is included in the income statement on derecognition.

2.9 Leases

A lease is classified as either a finance or operating lease. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The leased asset is recognised in the statement of financial position as a fixed asset and the future lease payments are recognised as a liability, with the portion falling due for payment within one year recognised as a current liability and the remaining portion recognised as a long term liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are expensed on a straight-line basis over the lease term.

2.10 Intangible assets

Intangible assets include capitalised expenses for IT development and intangible assets acquired separately or in a business combination.

Expenditures for IT development and maintenance are generally expensed as incurred. Expenditures for software development that can be attributable to identifiable assets under the Group's control and with anticipated future economic benefits are capitalised and recognised as intangible assets. Additional expenditures for previously developed software are recognised as an asset if they increase the future economic benefits of the specific asset by improving or extending its functionality beyond its original use and estimated useful life. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The intangible assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The amortisation expense on intangible assets with finite lives is classified in the income statement as 'Amortisation of intangible assets'.

Any gain or loss arising on derecognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the tangible asset) is included in the income statement in the year the intangible asset is derecognised.

2.11 Impairment of fixed assets and other non-current assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ('CGUs') fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement in those expense categories consistent with the nature of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

See also section 2.1: goodwill and section 2.10: intangible assets for the specific criteria which is applied in determining the impairment of these classes of asset.

2.12 Financial assets and liabilities

A financial instrument is defined as any form of agreement giving rise to a financial asset in a company and a financial liability or equity instrument in a counterparty. Financial instruments include, as assets, accounts and other receivables, purchased loan portfolios, other long term assets and cash and short term deposits, and as liabilities and equity, accounts and other payables, and loan and other long term liabilities. The Group also uses derivative financial instruments which are described in section 2.13.

WIthin the scope of IAS 39, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives in an effective hedge, as appropriate. Financial liabilities are classified as either financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives in an effective hedge, as appropriate. The Group determines the classification of its financial assets and financial liabilities after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets and liabilities are recognised by the Group when it becomes party to the contractual provisions of the instrument and are initially measured at fair value, which normally will be transaction price, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Subsequent measurement of the Group's financial assets and liabilities depends on their classification, as described below.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that has occurred after the initial recognition of the asset that has an impact on the estimated future cash flows.

Accounts and other receivables:
Receivables are recognised when the Group has performed and there is a contractual obligation on the counterparty to pay, even if an invoice has not yet been received. Accounts receivable are recognised when an invoice has been sent.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Accounts and other receivables are classified in the category loans and receivables. They are recognised initially at fair value and subsequently measured at the amount expected to be received after deducting impaired receivables. The anticipated maturity of these receivables is short, so their carrying values are not discounted.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables, usually once they have fallen overdue for payment by a certain number of days which will differ from country to country, or once the Group becomes aware that the debtor has become insolvent or is experiencing significant financial difficulty. The amount of the provision is recognised in the income statement.

Purchased loan portfolios:
Purchased loan portfolios are designated as loans and receivables. Their accounting treatment is described in more detail in section 2.4.

Long term receivables:
Long term receivables are designated as loans and receivables and have an anticipated maturity of more than one year. After initial measurement, they are subsequently measured at amortised cost using the effective interest rate method, less impairment which is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Other investments:
Other investments are classified as at fair value through profit or loss if they are classified as held-for-trading or are designated as such on initial recognition because the Group manages such investments and makes purchase and sale decisions based on their fair value. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Attributable transaction costs are recognised in the income statement as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in the income statement.

Cash and short term deposits:
Cash and short term deposits consist of cash and cash equivalents as well as immediately available balances with banks and similar institutions. Short term deposits are easily and readily convertible to a known amount of cash and have a maturity of not more than three months.

Client funds:
Client funds represent cash received on collection of a specific debt on behalf of a client and payable to the client within a specific period of time. Client funds are liquid funds with a restricted disposition right. The same amount is reported within other payables.

Accounts and other payable:
Payables are recognised when the counterparty has performed and there is a contractual obligation on the Group to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice has been received.

Accounts and other payables are classified in the category loans and borrowings. They are recognised initially at fair value and subsequently measured at the amount expected to be paid. The anticipated maturity of these payables is short, so their carrying values are not discounted.

Interest-bearing debt:
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net financial items when the liabilities are derecognised as well as through the amortisation process.

The upfront fees are a part of the borrowing cost and are recognised as part of the interest expense in accordance with the effective interest method.

2.13 Derivative financial instruments
The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate. Such derivative financial instruments are initially and subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to other financial income or other financial expenses in the income statement.

2.14 Derecognition of financial assets and liabilities
Financial assets:
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In such cases, the Group also recognises an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities:
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.15 Offsetting of financial instruments
Financial assets and liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

2.16 Fair value of financial instruments

The fair value of financial instruments that are traded on active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments that are not traded on an active market, the fair value is determined using appropriate valuation techniques which include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- a discounted cash flow analysis or other valuation model.

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in note 6.

2.17 Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Contingent liabilities and contingent assets are a possible obligation or possible income depending on whether some uncertain future event occurs, or a present obligation, whose payment is not probable or amount cannot be measured reliably, or a possible inflow of economic benefit that is not certain. Contingent liabilities and assets are not recognised in the balance sheet but are disclosed in the notes to the accounts.

2.18 Pensions and other post-employment liabilities

Defined contribution pension plans:

The Group has a series of defined contribution pension plans which are pension plans under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods, and therefore does not record a pension liability in the statement of financial position.

Other post-employment liabilities:

In the event of employment termination, the Group's employees in certain jurisdictions are entitled to benefit, in accordance with national labour regulations, to an unused annual leave equivalent and to compensation for compliance with a non-competition agreement. The provision for unused annual leave is revalued as at the last day of the financial year and as the last day of each six-month period on the basis of a valuation carried out by a professional actuarial firm.

Provisions for other termination benefits are created once employment is terminated.

2.19 Equity

Share capital is determined using the nominal value of shares that have been issued.

Other paid in capital consists of any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are also deducted from additional paid-in capital, net of any related income tax benefits.

The effects of foreign currency translation are included as a separate component of equity.

Other equity, includes current and prior period results as disclosed in the consolidated statement of comprehensive income.

2.20 Dividends

The Group recognises a liability to pay a dividend to owners of equity once it has been approved by the shareholders at the Shareholder's General Meeting. A corresponding amount is recognised directly in equity.

2.21 Balance sheet classification

Current assets and short-term liabilities include items due less than one year from the reporting date, and items tied to the operating cycle, if longer. The current portion of long-term debt is included as current liabilities. Other assets are classified as non-current assets.

2.22 Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. All transactions between the related parties are based on the principle of 'arm's length' (estimated market value).

2.23 Consolidated statement of cash flows

The indirect method is used for the consolidated statement of cash flows which reconciles the change in cash and short term deposits to the profit for the year before tax. For the purpose of the consolidated statement of cash flows, cash and cash equivalents defined in section 2.12 Financial assets and liabilities are shown net of any outstanding bank overdrafts.

Cash flows are divided into cash flows from operating activities, investing activities and financing activities.

Foreign subsidiary transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested subsidiaries are recognised as cash flow from investing activities on a net basis after deducting cash and short term deposits in the acquired or divested company.

NOTE 3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

amount of the asset or liability in future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. As regards estimates and assumptions concerning the future, the resulting accounting estimates will, by definition, seldom equal the related actual results.

In the process of applying the Group's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition:
The Group uses the effective interest rate method to account for loans and receivables. The initial book value of purchased loan portfolios are recognised at cost plus transaction expenses at the time of purchase. The use of the effective interest rate method requires the Group to estimate future cash flows from loans and receivables at each balance sheet date. The underlying estimates that form the basis for revenue recognition depends on variables such as the ability to contact the customer and reach an agreement, timing of cash flows, general economic environment and statutory regulations. Deviations between the estimated future cash flows and actual cash flows for a period are recognised as "Interest income on purchased loan portfolios" in the income statement. If the estimations for future periods are revised, the Group adjusts the carrying amount of the portfolios and loans to reflect actual and revised estimated cash flows in accordance with IAS 39 paragraph AG8. The book value of purchased loan portfolios at any given balance sheet day will be equal to the discounted value of each portfolio discounted at the initial internal rate of return calculated from the initial cashflow forecast. Events or changes in assumptions and Management's judgement will affect the recognition of revenue in the period. Further details are included in note 2.4.

Book value of purchased loan portfolios:
Purchased loan portfolios consist mainly of acquired non-performing unsecured loans and non-derivative financial assets without fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Events or changes in assumptions and Management's judgement will affect the estimated cash flow for the portfolios and therefore also the net present value of future cash flows and the book value of the portfolios. Further details are included in note 2.4.

Impairment of goodwill
The Group determines whether goodwill is impaired when circumstances indicate that there may be a potential impairment. Estimating recoverable amounts of assets are partly based on Management's evaluation, including estimates of future performance, revenue generating capacity of the assets, and assumptions of the future market conditions. Changes in circumstances and in Management's estimation of future events may give rise to impairment losses. Impairment of goodwill is evaluated on an annual basis and determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Estimating the recoverable amount requires the Group to make assumptions regarding the expected future cash flow and the discount rate used to calculate the net present value of those cash flows. Further details are included in note 2.1.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 2.7.

■ NOTE 4 First time adoption of IFRS

4.1 Introduction

These consolidation financial statements for the year ended 31 December 2014 are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2013, the Group prepared its consolidated financial statements in accordance with local generally accepted accounting principles (Local GAAP).

Accordingly, the Group has prepared consolidated financial statements which comply with IFRS applicable for periods ending on or after 31 December 2014, together with comparative period data as and for the year ended 31 December 2013, as described in the summary of significant accounting policies set out in note 2. In preparing these consolidated financial statements, the Group's opening statement of financial position was prepared at 1 January 2013, the Group's date of transition to IFRS.

This note explains the principal adjustments made by the Group in restating its Local GAAP financial statements, including the statement of financial position at 1 January 2013 and the financial statements at and for the year ended 31 December 2013.

The effect of transition to IFRS specified in the tables below include reclassifications made from the Local GAAP financial statements to align them to the income statement and balance sheet lines used in the IFRS financial statements at 31 December 2014.

4.2 Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

Business combinations:
IFRS 3 has not been applied to acquisitions of subsidiaries or interests in associated companies that occured before 1 January 2013. Use of this exemption means that the Local GAAP carrying amounts and assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of acquisition. After the date of acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position.

The Group did not recognise or exclude any previously recognised amounts as a result of the IFRS recognition requirements.

IFRS 1 also requires that the Local GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets).

In accordance with IFRS, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2013.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Foreign exchange on fair value adjustments and goodwill:
The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occured before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

Cumulative translation differences:
Cumulative currency translation differences for all foreign operations are deemed to be zero at 1 January 2013.

4.3 Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty at 1 January 2013 and at 31 December 2013 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies).

The critical accounting judgements and key sources of estimation uncertainty used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2013, the date of transition to IFRS, and at 31 December 2013.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

4.4 Group reconciliation of equity at 1 January 2013 (date of transition to IFRS)

At 1 January 2013	Notes	Local GAAP	Effect of transition to IFRS	Correction (note 1)	Reclass-ification	IFRS
Non current assets						
Tangible fixed assets		3,809	0		651	4,460
Intangible assets		5,709	0		-2,178	3,531
Goodwill	A, B	1,222	0		2,392	3,614
Other investments		662	0		-662	0
Purchased loan portfolios	C	154,970	-9,460	-91,720	-1	53,789
Other long term assets		70	0		-70	0
Deferred tax asset	D		2,248		1	2,249
Total non-current assets		**166,442**	**-7,212**	**-91,720**	**133**	**67,643**
Current assets						
Accounts receivable		3,309			-9	3,300
Other short term assets		3,198			276	3,474
Cash and short term deposits		65,714			-9	65,705
		72,221	**0**	**0**	**258**	**72,479**
Total assets		**238,663**	**-7,212**	**-91,720**	**391**	**140,122**
Equity						
Share capital		5,770	0		0	5,770
Other paid in capital		184,484	0		0	184,484
Other capital reserves	E	0	1,415		0	1,415
Foreign currency translation reserve	F	-1,677	1,677		0	0
Retained earnings		2,230	-7,270	-133,747	220	-138,566
Total equity attributable to parent company shareholders		**190,807**	**-4,178**	**-133,747**	**220**	**53,103**
Equity attributable to non-controlling interests	G	1,885	-3,034		-63	-1,218
Total equity		**192,692**	**-7,212**	**-133,747**	**157**	**51,885**
Non-current liabilities						
Long term interest bearing loans and borrowings					15,005	15,005
Deferred tax liabilities						0
Other long term liabilities	H	16,741		34,001	-16,741	34,001
Total long term liabilities		**16,741**	**0**	**34,001**	**-1,736**	**49,006**
Current liabilities						
Short term interest bearing loans and borrowings			0		5,594	5,594
Accounts and other payables		10,078	0		1,984	12,062
Income taxes payable		22	0		2,210	2,232
Payroll, social and other indirect taxes		300	0		2,652	2,952
Other current liabilities		18,829	0	8,026	-10,470	16,391
Total current liabilities		**29,229**	**0**	**8,026**	**1,970**	**39,231**
Total liabilities		**45,970**	**0**	**42,027**	**234**	**88,237**
Total equity & liabilities		**238,662**	**-7,212**	**-91,720**	**391**	**140,122**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

4.5 Group reconciliation of equity at 31 December 2013

At 31 December 2013	Notes	Local GAAP	Effect of transition to IFRS	Correction (note 1)	Reclass-ification	IFRS
Non current assets						
Tangible fixed assets		3,730	0		739	4,470
Intangible assets		6,563	0		-2,241	4,322
Goodwill	A, B	10,724	1,312		3,006	15,042
Other investments			0		0	0
Purchased loan portfolios	C	702,216	-47,690	-92,451	-5	562,072
Other long term assets		8,210	-465		-1,082	6,663
Deferred tax asset	D	323	13,469		0	13,791
Total non-current assets		**731,766**	**-33,374**	**-92,451**	**417**	**606,360**
Current assets						
Accounts receivable		4,564	0		811	5,375
Other short term assets		12,039	-6,750		-293	4,997
Cash and short term deposits		117,701	0		-41	117,660
		134,304	**-6,750**	**0**	**477**	**128,032**
Total assets		**866,070**	**-40,124**	**-92,451**	**894**	**734,392**
Equity						
Share capital		14,767	0		-	14,767
Other paid in capital		406,695	0		-	406,695
Other capital reserves	E		1,415		-	1,415
Foreign currency translation reserve	F	2,511	-6,813		-	-4,301
Retained earnings		30,352	-25,834	-131,275	689	-126,068
Total equity attributable to parent company shareholders		**454,325**	**-31,232**	**-131,275**	**689**	**292,508**
Equity attributable to non-controlling interests	G		-12,672			-12,672
Total equity		**454,325**	**-43,904**	**-131,275**	**689**	**279,836**
Non-current liabilities						
Long term interest bearing loans and borrowings		316,332	-9,000		-5,700	301,632
Deferred tax liabilities			10,530		6	10,536
Other long term liabilities	H	1,953		28,330	-1,954	28,330
Total long term liabilities		**318,285**	**1,530**	**28,330**	**-7,648**	**340,498**
Current liabilities						
Short term interest bearing loans and borrowings		35,500	-		5,689	41,189
Accounts and other payables		9,241	-		21,754	30,995
Income taxes payable		3,220	-		-28	3,192
Payroll, social and other indirect taxes		481	-		3,640	4,121
Other current liabilities	H	45,018	2,250	10,494	-23,202	34,561
Total current liabilities		**93,460**	**2,250**	**10,494**	**7,853**	**114,058**
Total liabilities		**411,745**	**3,780**	**38,824**	**205**	**454,556**
Total equity & liabilities		**866,070**	**-40,124**	**-92,451**	**894**	**734,392**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

4.5 Group reconciliation of total comprehensive income for the year ended 31 December 2013

Year ended 31 December 2013	Notes	Local GAAP	Effect of transition to IFRS	Correction (note 1)	Reclass-ification	IFRS
Operating revenue						
Interest income on purchased loan portfolios	C	334,066	-188,321		-2,830	142,915
Revenue from external collection		84,973	-		949	85,922
Other operating revenues		966	-		1,731	2,697
Total operating revenues		**420,005**	**-188,321**	**-**	**-150**	**231,534**
Changes in portfolio cashflow estimates	C	-	-43,686			-43,686
Net operating revenues		**420,005**	**-232,007**	**-**	**-150**	**187,848**
Write down on portfolios	C	214,242	-197,016	-17,225	-	
External cost of services provided		55,615	-		6,078	61,693
Personnel costs		68,166	-		3,394	71,560
Depreciation of tangible fixed assets		1,989	-		-6	1,983
Amortisation of intangible assets	B	2,163	-1,312		-3	848
Other operating expenses		54,896	620		-9,275	46,240
Total operating expenses		**397,071**	**-197,708**	**-17,225**	**188**	**182,324**
Operating profit		**22,934**	**-34,298**	**17,225**	**-338**	**5,524**
Other interest income		1,857	-		-195	1,661
Other financial income		28,097	-		-3,605	24,491
Other interest expenses	I	-13,004	-		-2,891	-15,895
Other financial expenses		-3,331	-16,430		9,754	-10,007
Net financial items		**13,619**	**-16,430**	**-**	**3,062**	**250**
Profit for the year before tax		**36,553**	**-50,729**	**17,225**	**2,724**	**5,774**
Income tax charge		-8,484	-		-268	-8,752
Change in deferred taxes			4,407		306	4,713
Profit for the year after tax		**28,069**	**-46,322**	**17,225**	**2,762**	**1,735**
Other comprehensive income, net of tax						
Items that may be reclassified subsequently to profit or loss						
Net gain on hedge of net investment in foreign operations		-	11,994		-	11,994
Exchange differences on translation of foreign operations		-	-16,986		-	-16,986
Other comprehensive income for the year, net of tax		**-**	**-4,992**	**-**	**-**	**-4,992**
Total comprehensive income for the year, net of tax		**28,069**	**-51,314**	**17,225**	**2,762**	**-3,257**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

4.6 Notes to the reconciliation of equity at 1 January 2013 and 31 December 2013 and total comprehensive income for the year ended 31 December 2013

Note 1: Correction
Under Local GAAP, excess portfolio value of NOK 91.7 million relating to the purchase of OK Perinta OY, Finland, was capitalised as part of purchased loan portfolios. In addition, contingent consideration to be paid in accordance with an earn-out agreement with the former shareholders was not accounted for.

Under IFRS, the excess portfolio value and the contingent consideration has been adjusted directly to retained earnings.

Note A: Acquisition expenses
Under Local GAAP, the Group capitalised acquisition costs as part of parent company's investment in subsidiaries. These costs ended up in Goodwill and were depreciated over 5-6 years. As such costs are expensed under IFRS, they have been adjusted against retained earnings at 1 January 2013 and as other operating expenses in 2013.

Note B: Goodwill
Under Local GAAP Goodwill was depreciated over 5-6 years. Under IFRS goodwill is not depreciated, but the value is impairment tested yearly. If the impairment value is below the book value , an adjustment to financial statement is recognized.

Goodwill amortised of NOK 1.3 million under Local GAAP in 2013 is reversed under IFRS.

Note C: Purchased loan portfolio
Under Local GAAP the Group recognized the excess value arising from the purchase of OK Perinta OY by the group's Finnish holding company, OK Kapital OY, as part of the book value of purchased loan portfolios. Under IFRS, this excess value of NOK 91.7 million has been written off against other equity at 1 January 2013.

Under Local GAAP, the purchased loan portfolios were recognized in the financial statement at cost less amortization. Under IFRS the portfolios are recognized at amortized cost using the effective interest rate method. The difference in the book values under Local GAAP and IFRS of NOK 9 million at 1 January 2013, less deferred taxes of NOK 2 million, has been recognized against retained earnings. At 31 December 2013, the difference in book values was NOK 47 million, less deferred taxes of NOK 10 million.

Note D: Deferred tax
The various transitional adjustments lead to different temporary differences. According to the accounting policies in Note 2, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

Note E: Share based payments
Under Local GAAP, the Group recognised only the cost for the long-term incentive plan as an expense. IFRS requires the fair value of the share option to be determined using an appropriate pricing model recognised over the vesting period. As mentioned in note 22, an additional expense of NOK 1.4 million was recognised in 2012, and has been recognised as a separate component of equity at 1 January 2013.

Note F: Foreign currency translation
Under Local GAAP, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1.1.2013. The resulting adjustment was recognised against retained earnings.

Note G: Equity attributable to non-controlling interests
Under Local GAAP, the Group did not recognise negative equity attributable to non-controlling interest. Under IFRS this is recognised, and the resulting adjustment was recognised against retained earnings.

Note H: Earn out
Under Local GAAP, the Group did not book calculated future earn out related to the business combination of OK Perintä OY, Finland. The calculated earn out is NOK 42 million, with NOK 34 million recognised under IFRS as a long term liability and NOK 8 million as other current liabilities. The resulting adjustment was recognised against retained earning. Please refer to note C above.

Note I: Other comprehensive income - foreign currency
In accordance with IFRS exchange differences arising on the translation of foreign operation asset and liabilities are recognised in other comprehensive income. Under Local GAAP this is recognised as part of the net financial income.

Note J: Statement of cash flows
The transition from Local GAAP to IFRS has not had any material impact on the statement of cash flows.

NOTE 5 New and amended standards issued, but not yet effective

Standards and interpretations that are issued but not yet effective up to the date of the issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. IFRS 9 will be effective on 1 January 2018 with early adoption permitted, subject to EU endorsement.

The company has not yet assessed the impact on the financial statements of the new standard.

IFRS 15 Revenue from Contracts with Customers

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). IFRS 15 will be effective on 1 January 2017 with early adoption permitted, subject to EU endorsement.

The company's preliminary assessment is that the new standard will not have a significant impact on the financial statements.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective on 1 January 2016 subject to EU endorsement.

The company's assessment is that the amendments will not have a significant impact on the financial statements.

IAS 19 Employee Benefits

The amendments introduce the option to recognise contributions from employees or third parties as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee's service rendered in that period. The amendments will be effective on 1 January 2015 subject to EU endorsement.

As the Group does not currently have pension plans that involve contributions from employees or third parties, the company's assessment is that the amendments will not have an impact on the financial statements.

IAS 27

The amendments restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The entity must apply the same accounting for each category of investments. The amendments will be effective on 1 January 2016 subject to EU endorsement.

As the company does not currently plan to avail itself of this option, the amendments will not have an impact on the financial statements.

IFRIC Interpretation 21 Levies

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation includes guidance illustrating how the Interpretation should be applied. The Interpretation is effective for annual periods beginning on or after 17 June 2014.

The company's assessment is that the new Interpretation will not have a significant impact on the financial statements.

■ NOTE 6 Financial risk management

6.1 Market risk

The Group's activities are exposed to financial risks: market risk, currency and interest rate risk, credit risk, liquidity risk and cash flow risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market and regulatory environment:
The prime market risk for the Group is related to general economic conditions and statutory regulations in various geographical markets which have an impact on the debtors' ability to pay and vendors' criteria for selling portfolios of loans and receivables.

The services and products offered in the respective geographical markets are subject to strict local laws and regulations, including requirements for lending, ownership and debt collection licenses, as well as legislation concerning personal data protection. Any legislative changes concerning consumer credit could affect the Group's earnings, market position and range of products and services.

Currency and interest rate risk:
The Group's finance strategy is to manage and limit both currency and interest rate risk.

Secured loans are made in relevant currencies reflecting the underlying expected future cash flow from the loans and receivables. At 31 December 2014, the secured and unsecured loans amounted to NOK 1,213 million and reflected a currency basket with EUR 8%, SEK 17% and PLN (Polish Zloty) 75%.

The interest exposures related to the borrowed amount in different currencies are reduced by using interest rate swaps in PLN. At 31 December 2014, the secured loans were hedged by 51%. The exposure to interest rates, based on long-term loans at 31 December 2014 and taking the mentioned interest rate swaps into consideration, implies that an interest increase of 1 percentage point on all floating interest rates will reduce the Group's annual profits by NOK 5.8 million.

In general, changes in macroeconomic factors such as interest rates may impact the debtors' ability to repay their debt and thereby influence the future cash flow received from the portfolios.

The Group's secured loans for financing the acquisition of loans and receivables in the subsidiaries are in various currencies, which imply exposure to currency fluctuations. The operational currency risk is reduced by the fact that these loans are drawn in the same currency as the loans and receivables. This exposure is under constant review, and the Group has no external currency hedging instrument as of 31 December 2014.

At 31 December 2014, the Group held in total EUR 40.1 million of debt designated as hedges of net investments in foreign entities. The hedges were assessed to be highly effective. At 31 December 2014, the hedges had a fair value of NOK 38.5 million recognised as a gain in other comprehensive income. There is no ineffectiveness recognised in 2014.

The currency sensitivity analysis shown below is based on portfolio fair value at 31 December 2014, net of currency loans, and presents the net effect on the portfolio book value net of currency loans.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Currency	31 Dec 2014 rates	NOK strengthens by 20%	NOK strengthens by 10%	NOK weakens by 10%	NOK weakens by 20%
EUR	9.0365	-51,801	-25,900	25,900	51,801
SEK	0.9597	-71,288	-35,644	35,644	71,288
PLN	2.1094	-240,283	-120,142	120,142	240,283
HRK	1.1797	-28,660	-14,330	14,330	28,660
DKK	1.2136	-1,683	-841	841	1,683
RSD	0.0748	-2,148	-1,074	1,074	2,148
RON	2.0155	-7,620	-3,810	3,810	7,620
Total		**-403,483**	**-201,741**	**201,741**	**403,483**

Credit risk:
Most of the loans and receivables are unsecured. As long as there is uncertainty about the ability of debtors to fulfil their obligations, there will also be considerable risk linked to cash collected from the Group's loans and receivables. Management's view is that the real credit risk exposure is reduced through the price discount paid on acquisition of the portfolios.

In order to minimise the credit risk exposure, the Group continues to invest in staff with a broad experience in credit management, and focus on increased analytical approach to portfolio assessments. In addition, the Group's investment in effective IT systems and a more uniform cross-border business model will result in better control of the Group's business, which in turn will also help reduce the risk of credit loss.

Maximum exposure to credit risk	2014	2013
Purchased loan portfolios	2,016,705	562,072
Loan receivables	168,182	6,663
Investment in associated companies	1,895	0
Accounts receivable	27,985	5,375
Other short term assets	32,346	4,997
Cash and short term deposits	294,148	117,660
Total at 31 December	**2,541,261**	**696,768**

Liquidity risk:
The Group's multicurrency revolving credit facilities of NOK 300 million and PLN 500 million (as described in note 23), totalling NOK 1,350 million ensures necessary funding in order to meet future payment obligations.

At 31 December 2014, the parent company held unused credits totalling NOK 83,5 million and cash and short-term deposits of NOK 117.2 million.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

At 31 December 2014	12 months or less	1-2 years	2-5 years	More than 5 years
Long term interest bearing loans & borrowings		343,466	762,065	
Other long term liabilities		18,800	15,441	
Short term interest bearing loans & borrowings	159,336			
Accounts and other payables	121,223			
Income taxes payable	8,949			
Payroll, social and other indirect taxes	22,271	133		
Other current liabilities	155,621			
Total	**467,400**	**362,400**	**777,506**	**0**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

At 31 December 2013	12 months or less	1-2 years	2-5 years	More than 5 years
Long term interest bearing loans & borrowings		32,438	278,200	
Other long term liabilities		10,494	17,836	
Short term interest bearing loans & borrowings	41,189			
Accounts and other payables	30,995			
Income taxes payable	3,192			
Payroll, social and other indirect taxes	4,062	59		
Other current liabilities	34,561			
Total	**113,999**	**42,991**	**296,036**	**0**

Capital structure:
The Group's interest-bearing debt net of cash and cash equivalents was NOK 918 million at 31 December 2014. Total equity, net of intangible assets, was NOK 988 million and total assets, net of intangible assets, was NOK 2,575 million.

The Group monitors its capital structure by calculating a gearing ratio, defined as net interest-bearing debt divided by EBITDA (adjusted with non-cash flow items). The gearing ratio at 31 December 2014 was 2.13 (adjusted for Ultimo Group full year) , which is considerably lower than the maximum allowed gearing ratio of 3.5.

6.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market (e.g. loans and receivables) is determined by using valuation techniques such as net present value of estimated cash flows. For loans and receivables, the discount rate used is the weighted average cost of capital, which is weighted value of the countries cost of debt and the cost of equity. The cost of equity is estimated by applying the capital asset pricing model. Market values of interest rate swaps are calculated using mid-rates (excluding margins) based on available market rates where each cash flow is discounted by the zero-coupon rate for the date of the payment.

As described in note 3, the preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from portfolios. The fair value of the portfolios is estimated to be approximately NOK 2,363 million and is based on net future estimated cash flows after tax, discounted with the estimated WACC for the countries in question. The corresponding carrying amount is NOK 2,016 million which is based on IAS 39 using the estimated gross future cash flows, where the discount factor is the individual IRR for the each portfolio. The future cash flow forecasts used to estimate the fair market value are the same as the cash flow forecast used in the accounting for loans and receivables at 31 December 2014.

The fair value estimation is based on estimated annual net cash flows from portfolios. The estimated annual net cash flows from portfolios is the assumed annual future collection on portfolios per country, less assumed annual collection costs per country before tax. The collection costs as a percentage of the portfolio collection differ from country to country, ranging from 13% to 39% depending on the stage of development of the subsidiary in its local market. In addition, the country specific marginal tax rate is applied. This individual collection cost and tax rate is applied to each country's estimated future cash flow, adding up to an estimated total net cash flow (CF3) for the Group, presented in the table below.

Table showing CF1, CF2 & CF3 for the years from 2015 to 2024 for portfolios owned at 31 December 2014	2015	2016	----------->	2024	Total
Collection (CF1)	1,130,423	969,423	2,154,941	64,353	4,319,139
Operating expenses	370,494	324,423	667,846	17,379	1,380,143
Collection less operating expenses (CF2)	759,929	645,000	1,487,094	46,974	2,938,997
Tax	34,436	25,685	65,681	1,937	127,739
Collection less operating expenses and tax (CF3)	**725,493**	**619,314**	**1,421,413**	**45,037**	**2,811,258**

The weighted average cost of capital after tax is estimated for each country where the cash flow is generated. Based on this rate, the discounted value of the estimated net cash flows indicates that the fair value of portfolios is approximately NOK 2,363 million.

To evaluate this calculation, a sensitivity analysis of the cash flow estimates is presented in the table below in order to see the effect of deviations to the cash flow estimates and variations in the cost of capital.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Net present value in NOK'000s assuming different % forecast collection levels and discount rates		% forecast collection 90 %	100 %	110 %
Discount rate	WACC -1.5%	2,085,640	2,427,768	2,769,484
	WACC -1.0%	2,066,570	2,405,720	2,744,471
	WACC -0.5%	2,047,959	2,384,201	2,720,056
	WACC used	2,029,792	2,363,193	2,696,220
	WACC +0,5%	2,012,055	2,342,680	2,672,943
	WACC +1.0%	1,994,733	2,322,646	2,650,207
	WACC +1.5%	1,977,813	2,303,074	2,627,994

Cost of Capital:
The cost of capital after tax is calculated using the capital asset pricing model (CAPM) in combination with the weighted average cost of capital (WACC).

$$WACC = RF + ßt * MP + \mu$$

Where

$$ß_t = \left[\frac{\text{Equity}}{\text{Equity + Debt}}\right] * ß_e = \text{Beta for capital employment}$$

$$\mu = \left[\frac{\text{Debt}}{\text{Equity + Debt}}\right] * [(1 - \text{tax rate}) * \text{Cost of Debt} - RF] = \text{Adjustment for credit risk premium after tax}$$

Cost of Capital calculation:
Based on the variables from the table below, the estimated cost of capital for each of the countries in question after tax is varying from 6.7% to 10.1%.

Risk free rate
The risk free rate used in the calculation of the WACC is based on the 10 year government bond in the countries where the collection is generated. The largest collections comes from Poland, Finland, Sweden, Croatia, Slovenia and Latvia. The respective 10 year government bond for these countries range from 0.3% for Sweden to 3.2% for Poland

Risk premium
The equity risk premium [E(Rm)-Rf] represents the difference by which returns from equity investments in publicly traded markets have exceeded and are expected to exceed risk-free returns. Based on research and assessment of the economic climate done by an external consulting firm the long-term risk premium is set to 6%.

Equity Beta
The beta coefficient [ße] is a measure of systematic risk. Beta measures the movements of returns on an individual asset as compared to a market proxy. An external consulting firm determined an appropriate beta based on an analysis of beta factors for publicly traded guideline companies. In the next step, beta was adjusted taking into account the level of debt of selected guideline companies. For this purpose Debt/MVIC ratio and tax rate for each of the companies were applied. It resulted in median of unlevered betas for guideline companies at the level of 0.84. After adjusting this median by the financial leverage, representing the median of Debt/MVIC ratio for guideline companies and statutory income tax rate, the beta coefficient amounts to 1.28.

Future cash flow estimates
The future cash flow estimates are based on the current 10 year IFRS forecast for the current asset base with no value after this 10 year period. Therefore there are no adding cash flows from future investments included in the fair value estimation. The portfolios have been revalued during the year and positive portfolio revaluations of NOK 0.5 million have been recorded in 2014. The Group therefore believes that the cash flow estimates that form basis for the fair value calculation are conservative, because the performance in 2014 was better than estimated and the value of the cash flow after year 10 is 0. The conservatism is kept in the cash flow estimates to compensate for the risk involved in estimating future cash flows.

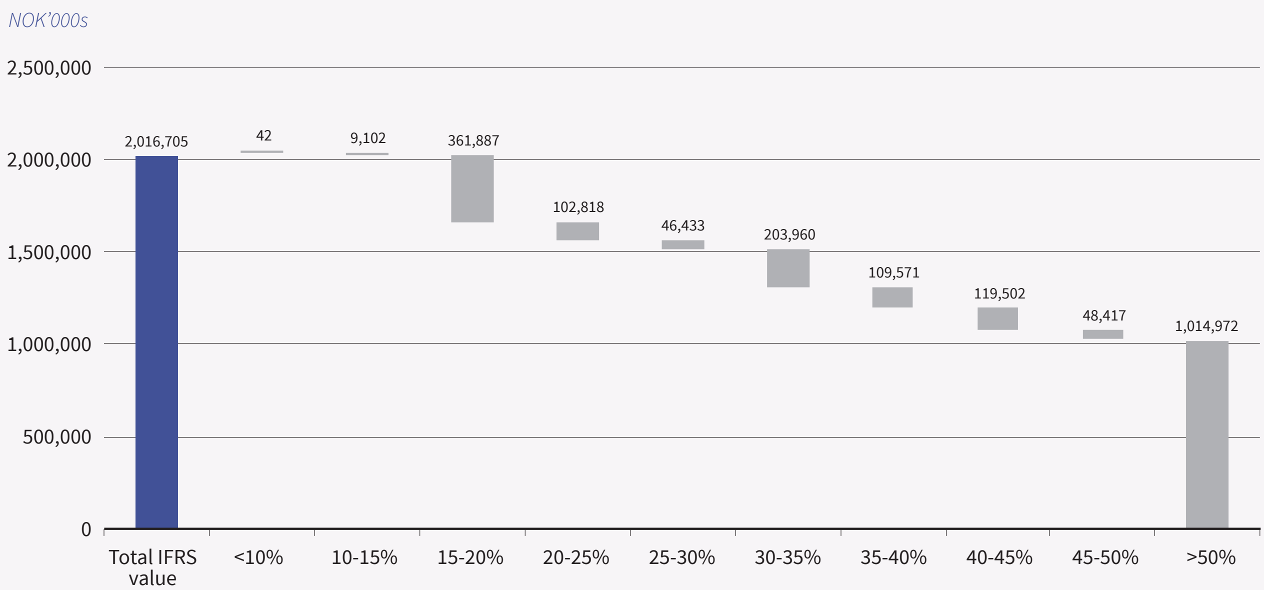
Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Weighted average cost of capital calculation	2014	Source
10-year risk-free rate	0.3%-3%	Country 10 year interest rate
Equity Beta	1.28	Comparable traded companies
Country risk premium	0%-3%	Based on external sources
Market risk premium	6 %	Based on estimates of external consultant
Additional liquidity risk premium/small cap premium	1.9 %	Based on estimates of external consultant
Total risk premium	7.9 %	Sum of market risk premium
Tax rate Group	19-28%	Tax rate in countries in question
Cost of equity	9.8%-15.6%	Calculated using capital asset pricing model
Cost of debt	3.3%-5.9%	Weighted rate on interest bearing debt
Equity weight	41 %	Equity ratio
Debt weight	59 %	Interest bearing debt
WACC (after tax)	**6.7-10.1%**	

Internal rate of return

Due to the fact that over 50% of the portfolios have an initial computed effective interest rate higher than 50%, the fair value estimation shown in the sensitivity analysis above can differ from the corresponding IFRS value of the portfolios, which is NOK 2,016 million, due to the higher discount factors. In addition, the fair value of the portfolios is calculated on net cash flow after tax, whereas the IFRS value is calculated on gross cash flows. The distribution of the portfolio values according to the individual rate of return is displayed graphically below.



Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

6.3 Purchased loan portfolios and changes in portfolio collection estimates

Purchased loan portfolios at 31 December	2014	2013
Opening balance	562,072	53,789
Acquisitions of a subsidiary (note 7)	1,023,695	0
Acquisition of porfolios, net of put-backs	526,639	706,529
Cash collections	-629,627	-331,236
Interest recognised on portfolios	399,388	142,915
Change in portfolio collection estimates	518	-43,686
Exchange rate differences	134,020	33,761
Closing balance	**2,016,705**	**562,072**

The face value of loans and receivables amounts to NOK 30,931 million including accrued interest at 31 December 2014 (2013: NOK 2,594 million).

Changes in portfolio collection estimates:
Management reviews and evaluates the cash flow forecast for all portfolios on a quarterly basis. The effect of the changes of the Group's future cash flow estimates during 2014 resulted in a net increase of income of NOK 0.5 million. This amount has been calculated as the net present value of the difference in the cash flow estimates.

The net change in portfolio collection estimates in 2014 is specified in the table below.

	Negative revaluations	Positive revaluations	Net change in collection estimates
Sweden	-832	0	-832
Finland	-36	0	-36
Poland	-24,629	26,442	1,813
Baltics	-426	0	-426
Balkans	0	0	0
Total	**-25,924**	**26,442**	**518**

The negative revaluations are a result of Management's lowered estimates of future cash flows for some portfolios that have not performed as expected. The change in collection estimates resulting in positive revaluations in the table above is related to portfolios which have performed significantly over forecast. Included is also the effect of adding a year on the rolling 10-year cash flow estimates. Based on historical decay seen in each country of the collection in months after the original 10-year forecast, the effect of the re-valued portfolios is included in the positive revaluations column in the above table.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

	Carrying amount				Fair value			
At 31 December 2014	**Held for trading**	**Loans & receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Purchased loan portfolios		2,016,705		2,016,705	2,363,193			2,363,193
Loans receivable		168,182		168,182	168,182			168,182
Total	**0**	**2,184,887**	**0**	**2,184,887**	**2,531,375**	**0**	**0**	**2,531,375**
Financial liabilities								
Interest-bearing loans, floating rate			1,212,811	1,212,811	1,212,811			1,212,811
Derivative financial instruments	846			846	846			846
Total	**846**	**0**	**1,212,811**	**1,213,657**	**1,213,657**	**0**	**0**	**1,213,657**
At 31 December 2013								
Financial assets								
Purchased loan portfolios		562,072		562,072	1,076,082			1,076,082
Loans receivable		6,663		6,663	6,663			6,663
Total	**0**	**568,735**	**0**	**568,735**	**1,082,745**	**0**	**0**	**1,082,745**
Financial liabilities								
Interest-bearing loans, floating rate			342,821	342,821	342,821			342,821
Total	**0**	**0**	**342,821**	**342,821**	**342,821**	**0**	**0**	**342,821**

The fair value of derivatives has been calculated by discounting the expected net future cash flows at prevailing interest rates. The fair value of bank overdrafts and interest-bearing loans is equal to book value as all interest-bearing loans are based on 3 month floating rate. The fair value of portfolios has been calculated by discounting the expected net future cash flows at the prevailing required rate of return.

Derivative financial instruments
The Group has entered into the following interest rate swap agreements:

At 31 December 2014		**Currency amount**	**NOK amount**	**Fixed rate**	**Currency value**	**NOK value**	**Due**
Interest rate swap	PLN	309,500	652,859	1.818%	-401	-846	29.08.2017

The Group uses interest rate swaps to hedge its interest rate risk exposure. The fair value of the interest swaps and options at 31 December 2014 was negative with NOK 0.8 million.

At 31 December 2014, the Group had no currency hedging instruments. However, investments in foreign currencies are largely debt financed in the respective local currencies thereby representing a hedge in each currency.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 7 Business combinations and acquisition of non-controlling interests

7.1 Acquisitions in 2014

Acquisition of Creditreform Latvija SIA, Latvia and its subsidiaries

On 17 December 2013, the Group signed an agreement to purchase 200 shares in Creditreform Latvija SIA ("Creditreform") constituting 99.5% of the voting shares of the company. Creditreform is located in Riga, Latvia, was incorporated in 1995 and is engaged in credit information and third party collection activities. Creditreform owns 100% of shares in Crefo Finance SIA and Crefo Rating SIA as well as investments in associated companies in Estonia and Lithuania.

The Group acquired Creditreform on account of the company's experienced management team and excellent market knowledge and position. Creditreform is also servicing the portfolios acquired by the Group's subsidiary in Latvia , B2Kapital SIA. The Group's activities in the Baltic region are expected to increase, and Creditreform, with its market position and investment in associated companies, gives a good platform for further expansion in the region.

For accounting purposes, the effective date of the acquisition was 1 January 2014 and the Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

	Fair value recognised on acquisition
Assets	
Tangible fixed assets	598
Intangible assets	13,717
Investments in associated companies	1,692
Accounts receivable and other short term assets	3,085
Cash and short term deposits	6,010
	25,102
Liabilities	
Deferred tax liabilities	2,058
Other long term liabilities	301
Other current liabilities	3,637
	5,996
Total identifiable net assets at fair value	**19,106**
Non-controlling interest measured at the proportionate share of the acquiree's identifiable net assets (0.5%)	-37
Net assets acquired	19,069
Goodwill arising on acquisition (note 16)	24,590
Purchase consideration	**43,659**
Contingent consideration	-12,402
Purchase consideration paid in cash	**31,257**
Cash flow on acquisition	
Net cash acquired with the subsidiary	6,010
Cash paid	-31,257
Net cash outflow	**-25,247**

Transaction costs attributable to the acquisition amounted to NOK 466 thousand in 2013 and NOK 511 thousand in 2014. These have been expensed as due diligence and transaction services and legal services within other operating expenses.

The goodwill of NOK 24.6 million that was created at the the time of the transaction is mainly related to the company maintaining and expanding its market position with regards to collections and credit information systems. The company has developed sophisticated systems that are important in portfolio evaluation and collection processes and for further expansion in the Baltic region. None of the goodwill recognised is deductible for income tax purposes.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Additional contingent consideration may be paid in a range from NOK 2.7 million to NOK 15.3 million based on the achievement of specific performance criteria in the years 2013-2016. At the time of acquisition, the company estimated the fair value of the contingent consideration to be NOK 12.4 million. The consideration is due for final measurement and payment to the former shareholders in 2017.

Acquisition of Kontant Finans Sverige AB, Sweden
On 16 January 2014, the Group acquired 90.1% of the shares in Kontant Finans Sverige AB ("Kontant Finans") located in Gothenburg, Sweden. The company is a consumer lending company operating in Sweden and gives the Group the opportunity to access the consumer lending business in Sweden on a small scale.

For accounting purposes, the effective date of the acquisition was 1 January 2014 and the Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

	Fair value recognised on acquisition
Assets	
Loan receivable & other financial assets	7,311
Accounts receivable and other short term assets	511
Cash and short term deposits	3,396
	11,218
Liabilities	
Other long term liabilities	7,814
Accounts payable	268
Other current liabilities	49
	8,131
Total identifiable net assets acquired at fair value	**3,087**
Non-controlling interest measured at the proportionate share of the acquiree's identifiable net assets (9.9%)	-291
Net assets acquired	2,796
Goodwill arising on acquisition (note 16)	934
Purchase consideration paid in cash	**3,730**
Cash flow on acquisition	
Net cash acquired with the subsidiary	3,396
Cash paid	-3,730
Net cash outflow	**-334**

The goodwill of NOK 934 thousands that was created on the acquisition is mainly related to Kontant Finans's growth potential. The company has an experienced mangement team with well established processes for servicing the consumer lending business.

Acquisition of Ultimo Holding Sarl, Luxembourg and its subsidiaries
On 29 August 2014, the Group purchased 100% of shares in Ultimo Holding Sarl, Luxembourg, the parent company in the Ultimo group of companies ("Ultimo") in Poland and Luxembourg. The Group perceives the acquisition of Ultimo as an opportunity to fulfill its strategic plans to expand its business and debt purchase and loan servicing platform in the Central and Eastern European markets by strategic acquisitions of key players in these markets. Ultimo is one of the largest debt purchasing and collecting companies in Poland managing non-performing debt portfolio with a face value of over PLN 10 bn. The transaction provides Ultimo with the access to the Group's capital and network of subsidiaries and partners in the Central and Eastern European markets.

For accounting purposes, the effective date of the acquisition was 29 August 2014. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

	Fair value recognised on acquisition
Assets	
Tangible fixed assets	16,212
Intangible assets	56,994
Deferred tax asset	1,188
Non performing loan portfolios	1,023,695
Loan receivables & other financial assets	114,931
Accounts receivable and other short term assets	15,055
Cash and short term deposits	100,185
	1,328,260
Liabilities	
Long term loans	683,780
Deferred tax liability	9,060
Other long term liabilities	4,589
Accounts and other payables	13,233
Income taxes payable	3,585
Other current liabilities	100,094
	814,341
Total identifiable net assets at fair value	**513,919**
Non-controlling interest measured at the proportionate share of the acquiree's identifiable net assets	-26
Net assets acquired	513,893
Goodwill arising on acquisition (note 16)	233,765
Purchase consideration	**747,658**
Contingent consideration	-67,360
Purchase consideration paid in cash	**680,298**
Cash flow on acquisition	
Net cash acquired with the subsidiary	100,185
Cash paid	-680,298
Net cash outflow	**-580,113**

Transaction costs attributable to the acquisition amounted to NOK 48.8 million. These have been expensed as due diligence, transaction services and legal services within other operating expenses.

The goodwill of NOK 233.7 million that was created on the acquisition is mainly related to Ultimo maintaining its position as one of the leading companies in the Polish non-performing loans market. Ultimo has an experienced management team with good market knowledge and good knowledge of portfolio purchases. It has an efficient organisation with its own well developed analysis and collection systems. The company is well placed for further growth in the Polish market.

None of the goodwill recognised is deductible for income tax purposes.

The net operating revenue and profit before tax contribution to the consolidated income statement of the Group from the date of acquisition to 31 December 2014 was NOK 183.2 million and NOK 38.9 million. If the combination had taken place at the beginning of the year, the net operating revenue and profit before tax contribution to the consolidated income statement of the Group would have been NOK 518.1 million and NOK 97.3 million adjusted for bonuses paid to the management on the sale of the company by the former shareholders.

Contingent consideration may be paid in accordance with an earn-out agreement with the former shareholders based on gross collections for the portfolio back book for the year 2015. At the time of acquisition, the company estimated the fair value of the contingent consideration to be NOK 67.4 million. The consideration is due for final measurement and payment to the former shareholders in January 2016.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Acquisition of non-controlling interest in Sileo Kapital AB, Sweden
Sileo Kapital AB, Sweden was established in 2012 with B2Holding AS owning a majority stake of 50.1%. The company is located in Gothenburg, Sweden and is engaged in purchasing and collecting non-performing consumer debt portfolios. The management has good market knowledge, and the company has established a good platform in the Swedish market which provides the company and Group with further growth potential in the Swedish market.

On the 17 November 2014, B2Holding AS purchased a further 40.8% of the shares and the remaining shareholder contribution in Sileo Kapital AB for the total price of NOK 16,992 thousands, increasing its shareholding to 90.9%.

The payment was settled by a cash payment of NOK 680 thousand on 28 November 2014 and by issuing 2,174,908 shares in B2Holding AS at NOK 7.5 per share which was registered on 27 February 2015.

The transaction is treated as an equity transaction in accordance with IFRS 10.23 and IFRS 10.B96.

Acquisition of non-controlling interest in B2Kapital Holding d.o.o., Croatia
B2Kapital Holding d.o.o., Croatia ("B2K Croatia") was established in July 2013 with B2Holding AS owing 100% of the share capital. The company is located in Zagreb and is engaged in purchasing and collecting non-performing consumer debt portfolios and factoring. Management experience and market knowledge together with the well established collection platform puts the company in excellent position for further growth in the Croatian market.

At the beginning of 2014, B2K Croatia acquired the factoring business from Clever Finance s.r.o, Slovakia in return for a 20% ownership stake in B2K Croatia, thereby reducing B2Holding AS's ownership to 80%

On the 14 November 2014, B2Holding AS acquired the non-controlling ownership interest of 20% for a total price of NOK 8,463 thousand settled by issuing 1,410,500 shares in B2Holding AS at NOK 6 per share which was registered on 9 December 2014.

The transaction is treated as an equity transaction in accordance with IFRS 10.23 and IFRS 10.B96.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

7.2 Acquisitions in 2013

Acquisition of Interkreditt AS, Norway
On 25 April 2013, B2Holding AS acquired 100% of the shares in Interkreditt AS, Norway. The company is located in Ålesund and is a third party debt collection company with management experience and market knowledge providing a platform for the Group's third party and non-performing consumer debt portfolio collection activities in Norway.

	Fair value recognised on acquisition
Assets	
Tangible fixed assets	63
Deferred tax asset	19
Accounts receivable and other short term assets	222
Cash and short term deposits	4,040
	4,344
Liabilities	
Accounts payable	39
Income taxes payable	644
VAT, payroll and other indirect taxes	310
Other current liabilities	266
	1,259
Total identifiable net assets acquired at fair value	**3,085**
Goodwill arising on acquisition (note 16)	10,915
Purchase consideration paid in cash	**14,000**
Cash flow on acquisition	
Net cash acquired with the subsidiary	4,040
Cash paid	-10,915
Net cash outflow	**-6,875**

Acquisition-related costs of NOK 155 thousands are included in the general administrative expenses in the consolidated income statement for the financial year 2013.

The goodwill of NOK 10,915 thousands that was created on the acquisition is mainly related to Interkreditt AS maintaining its efficient operation and good customer relationships. The company has an experienced mangement team with well established collection processes.

NOTE 8 Operating segments

For management purposes, the Group is organised into a single business divided into different geographical regions corresponding to the countries where the Group has its operations. The Executive Management monitors the operating results of these geographical regions separately for the purposes of making decisions about resource allocation and performance assessment. Regional performance is evaluated based on the operating results and cash collections from purchased loan portfolios and is consistent with the equivalent figures that are reported in the consolidated financial statements.

Although each geographical region records net financial items and a tax charge corresponding to the Local GAAP in their respective countries, financing and taxes are managed on a group basis and are disregarded by Executive Management for decision making purposes at the regional level.

Internal transactions between the geographical regions are eliminated on consolidation and are reflected in the "Adjustments" column. They are transacted on an arm's length basis in a manner similar to transactions with third parties.

The results, assets and liabilities of the parent company and the holding company in the Netherlands are reported as 'Other'.

Purchase of loan portfolios includes assets from the acquisition of subsidiaries. Capital expenditure consists of additions of tangible fixed assets and intangible assets, including assets from the acquisition of subsidiaries.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Year ended 31 December 2014	Norway	Finland & Estonia	Sweden	Poland (1)	Latvia	Balkans	Other	Adjust-ments	Total
Regional net operating revenue									
Interest income on purchased loan portfolios		125,059	70,244	175,964	12,502	15,619			399,388
Revenue from external collection	6,596	74,544	43		9,756				90,939
Income from services to group companies	900							-900	0
Other operating revenues		2,818	750	7,115	8,305	911			19,899
Changes in portfolio cashflow estimates		-36	-833	1,813	-426				518
	7,496	**202,385**	**70,204**	**184,892**	**30,137**	**16,530**	**0**	**-900**	**510,744**
Results									
Depreciation & amortisation	6	2,839	59	5,634	3,033	367	48		11,986
Share of results in associated companies					283				283
Regional profit before net financial items and taxes	**2,704**	**62,804**	**42,363**	**57,271**	**7,576**	**771**	**-82,041**	**0**	**91,484**
Long term loans and receivables									
Purchased loan portfolios		199,404	377,294	1,226,366	30,141	183,500			2,016,705
Loan receivables & other financial assets			12,312	148,841		777	6,252		168,182
	0	**199,404**	**389,606**	**1,375,207**	**30,141**	**184,277**	**6,252**	**0**	**2,184,887**
Other disclosures									
Investment in assocated companies					1,895				1,895
Cash collections from purchased loan portfolios		286,376	95,752	207,184	23,988	16,327			629,627
Purchase of loan portfolios		178,390	29,398	1,156,366	15,962	169,647			1,549,763
Capital expenditure		1,472	23	102,663	15,930	2,347	47		122,482

(1) For the post acquisition perod from September–December 2014.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Year ended 31 December 2013	Norway	Finland & Estonia	Sweden	Latvia	Balkans	Other	Adjust-ments	Total
Regional net operating revenue								
Interest income on purchased loan portfolios		83,676	55,133	4,106				142,915
Revenue from external collection	6,161	79,415	346					85,922
Income from services to group companies	435						-435	0
Other operating revenues		2,576	89	32				2,697
Changes in portfolio cashflow estimates			-43,686					-43,686
	6,596	**165,667**	**11,882**	**4,138**	**0**	**0**	**-435**	**187,848**
Results								
Depreciation & amortisation	42	2,716	33		8	32		2,831
Regional profit before net financial items and taxes	**1,937**	**24,186**	**-3,536**	**2,073**	**-611**	**-18,525**	**0**	**5,524**
Long term loans and receivables								
Purchased loan portfolios		167,878	368,820	23,894	1,480			562,072
Loan receivables & other financial assets						6,663		6,663
	0	**167,878**	**368,820**	**23,894**	**1,480**	**6,663**	**0**	**568,735**
Other disclosures								
Cash collections from purchased loan portfolios		261,735	61,272	8,229				331,236
Purchase of loan portfolios		288,217	390,545	26,381	1,386			706,529
Capital expenditure	464	5,130	134		480			6,208

At 1 January 2013	Finland & Estonia	Sweden	Other	Adjust-ments	Total
Long term loans and receivables					
Purchased loan portfolios	43,459	10,330			53,789
	43,459	**10,330**	**0**	**0**	**53,789**

Reconcilation of segment profit to Group profit	2014	2013
Regional profit before net financial items and taxes	**91,484**	**5,524**
Net financial items	-19,933	250
Group profit before tax	**71,551**	**5,774**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 9 External cost of services provided

	2014	2013
Fees to courts, bailiffs and lawyers for collection services	105,573	57,434
Fees to external parties for collection and skip tracing services	6,009	2,105
Fees to third parties for credit information	3,379	2,106
Other costs	3,940	48
	118,901	**61,693**

NOTE 10 Personnel cost

	2014	2013
Wages, salaries and other benefits paid	106,024	54,292
Social security costs & payroll taxes	22,523	12,613
Defined contribution pension costs	1,190	704
Other personnel costs	6,469	3,951
	136,206	**71,560**
Number of full time equivalents (FTE's) at 31 December	961	193

FTEs at 31 December 2014 includes 703 FTEs at the Ultimo group of companies in Poland which was acquired on 29 August 2014.

The Group has defined contribution plans in Norway, Sweden and Finland covering 148 FTEs at 31 December 2014 (183 FTEs at 31 December 2013) which are additional to the pension benefits provided under the relevant government-backed pension schemes in each of the countries where the Group operates.

NOTE 11 Other operating expenses

	2014	2013
Cost of office premises	10,899	6,052
Travel, accommodation, meetings, arrangements	8,188	4,300
IT, telecommunications	18,001	10,898
Marketing, business entertaining	13,714	2,887
Printing, postage	13,813	6,226
Due diligence and transaction services	37,206	341
Audit and tax services	2,044	865
External accounting services	2,615	631
Legal services	19,412	1,966
Other professional services	7,739	9,161
Statutory and other corporate costs, including business insurance and trade licences	11,445	295
Office equipment	2,165	382
Office supplies, stationary	1,258	542
Losses on accounts receivables	152	12
Bank charges	1,933	549
Other costs	1,583	1,133
	152,167	**46,240**

The main reason for the increase in other operating expenses during the year was the acquisition of the Ultimo group of companies on 29 August 2014 as well as due diligence, legal and other costs directed related to the acquisition.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 12 Net financial items

	2014	2013
Other interest income		
Interest income on cash & short term deposits	1,509	1,604
Other interest income	336	57
	1,845	**1,661**
Other financial income		
Realised exchange gains	5,459	1,900
Unrealised exchange gains	37,643	22,591
	43,102	**24,491**
Other interest expenses		
Interest expense on interest bearing loans	43,867	15,895
Interest expense on finance leases	38	0
	43,905	**15,895**
Other financial expenses		
Realised exchange losses	12,635	408
Unrealised exchange losses	2,158	9,599
Losses on financial instruments	2,696	
Costs of financing	3,570	
Other financial expenses	199	
	21,258	**10,007**

NOTE 13 Income tax

The major components of income tax reported in the income statement and statement of other comprehensive income for the years ended 31 December 2014 and 2013 are set out below.

Income statement	**2014**	**2013**
Current income tax:		
Current year income tax payable	12 519	8 752
Deferred tax expense/(income):		
Origination and reversal of temporary differences	6 940	-4 713
Total tax expense reported in the income statement	**19 459**	**4 039**

	2014			2013		
Statement of other comprehensive income	**Before tax**	**Tax expense**	**Net of tax**	**Before tax**	**Tax expense**	**Net of tax**
Exchange differences on translation of foreign operations	36,556	0	36,556	-16,986	0	-16,986
Net gain on hedge of net investment in foreign operations	22,096	-5,966	16,130	16,430	-4,436	11,994
Other comprehensive income	**58,652**	**-5,966**	**52,686**	**-556**	**-4,436**	**-4,992**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Reconciliation between the expected tax expense and the actual tax expense	2014	2013
Profit before tax	71,551	5,774
Expected tax expense at Norwegian nominal tax rate of 27% (2013: 28%)	**19,319**	**1,617**
Difference between local tax rates and the Norwegian nominal tax rate	-18,244	-943
Tax effect of permanent differences	13,538	2,548
Tax effect of the change in unrecognised deferred taxes	5,185	944
Other differences	-339	-127
Actual tax expense	19,459	4,039
Effective rate of tax	**27 %**	**70 %**

The high effective rate of tax in 2013 was the consequence of not recognising deferred tax assets on tax losses in Group companies which had not achieved a reliable level of tax profitability. The effective rate of tax in 2014 corresponded to the Norwegian nominal tax rate of 27%.

Analysis of deferred tax assets and liabilities

Origination and reversal of temporary differences:	2014	2013	At 1 January 2013
Taxable temporary differences - non current items	-38,263	-10,536	0
Deductible temporary differences - non current items	2,367	13,490	2,249
Deductible temporary differences - current items	2,429	0	
Tax losses carried forward	69,437	2,650	1,416
	35,970	**5,604**	**3,665**
Deferred taxes not recognised	-56,457	-2,349	-1,416
Net deferred tax assets/(liabilities)	**-20,487**	**3,255**	**2,249**

Due to right of offsetting deferred tax assets and liabilities in the same tax jurisdiction, the presentation of net deferred tax in the consolidated statement of financial position for each year end was as follow:

Deferred tax assets	11,930	13,791	2,249
Deferred tax liabilities	-32,417	-10,536	0
	-20,487	**3,255**	**2,249**

Reconciliation of net deferred tax assets/(liabilities)	2014	2013
Deferred tax assets/(liabilities) at 1 January	3,255	2,249
Deferred tax expense recognised in the income statement	-6,940	4,713
Deferred tax expense recognised in other comprehensive income	-5,966	-4,436
Deferred taxes acquired in business combinations	-9,930	19
Exchange differences	-906	710
Deferred tax assets/(liabilities) at 31 December	**-20,487**	**3,255**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Analysis of deferred tax assets and liabilities

Analysis of tax losses available for offset against future taxable income, by year of expiration	2014	2013	At 1 January 2013
2018-2019	9	631	940
2019-2020	17,937	2,682	0
No time limit	230,718	8,791	4,384
Total tax losses available for offset	248,664	12,104	5,324
Tax effect of tax losses, before consideration of whether the losses are recognisable or not	**69,437**	**2,650**	**1,416**

Tax losses carried forward at 31 December 2014 relate to mainly to the Group's subsidiary companies in Luxembourg (NOK 177 million) acquired with the Ultimo group of companies, Norway (NOK 29 million) and Netherlands (NOK 17 million).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that it can utilised against future taxable profits. Significant judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTE 14 Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year after tax attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit for the year after tax attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2014	2013
Profit for the year after tax attributable to parent company shareholders	**46,773**	**12,498**
Number of shares outstanding at 1 January	147,670,344	57,701,852
New shares issued during the year (note 21)	161,368,419	89,968,492
Number of shares outstanding at 31 December	309,038,763	147,670,344
Weighted average number of shares during the year	**192,259,571**	**126,813,113**
Effect of dilution:		
Independent subscription rights (note 22)	2,000,000	3,000,000
Weighted average number of shares during the year adjusted for the effect of dilution	**193,002,037**	**126,906,263**
Earnings per share (in NOK)		
- Basic	0.24	0.10
- Diluted	0.24	0.10

The 2 million independent subscription rights outstanding at 31 December 2014 lapsed on 15 January 2015.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 15 Tangible fixed assets

	Improvements to rented offices	Equipment, fixtures & fittings	Total
Acquisition/purchase cost			
At 1 January 2013	**6,210**	**5,770**	**11,980**
Additions		1,894	1,894
Acquisitions of a subsidiary (note 7)		463	463
Disposals		-536	-536
Exchange differences	881	894	1,775
At 31 December 2013	**7,091**	**8,485**	**15,576**
Additions	1,627	2,647	4,274
Acquisitions of a subsidiary (note 7)	5,973	30,263	36,236
Disposals		-1,734	-1,734
Exchange differences	1,187	3,432	4,619
At 31 December 2014	**15,878**	**43,093**	**58,971**
Depreciation and impairment			
At 1 January 2013	**3,462**	**4,058**	**7,520**
Depreciation charge for the year	1,195	788	1,983
Acquisitions of a subsidiary (note 7)		400	400
Disposals			0
Exchange differences	579	624	1,203
At 31 December 2013	**5,236**	**5,870**	**11,106**
Depreciation charge for the year	1,734	2,363	4,097
Acquisitions of a subsidiary (note 7)	2,656	16,770	19,426
Disposals		-1,265	-1,265
Exchange differences	781	2,019	2,800
At 31 December 2014	**10,407**	**25,757**	**36,164**
Net book value			
At 31 December 2014	**5,471**	**17,336**	**22,807**
At 31 December 2013	**1,855**	**2,615**	**4,470**
At 1 January 2013	**2,748**	**1,712**	**4,460**

Depreciation method	Straight line	Straight line
Economic useful lives	3-10 years	3-10 years
	or remaining lease term, if shorter	

The carrying value of equipment held under finance leases at 31 December 2014 was NOK 1,691 thousand (2013: NOK 0, 1 January 2013: NOK 0). Additions during the year include NOK 1,724 thousand (2013: NOK 0) of equipment under finance lease contracts, of which NOK 1,545 thousand was the carrying value of equipment held under finance lease in the Ultimo group of companies on the date of acquisition.

Leased assets are pledged as security for the related finance lease liabilities.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 16 Intangible assets and goodwill

	Intangible assets	Goodwill	Total
Acquisition/purchase cost			
At 1 January 2013	**4,764**	**4,331**	**9,095**
Additions	1,118		1,118
Acquisitions of a subsidiary (note 7)		10,915	10,915
Exchange differences	758	614	1,372
At 31 December 2013	**6,640**	**15,860**	**22,500**
Additions	8,263		8,263
Acquisitions of a subsidiary (note 7)	73,709	259,288	332,997
Exchange differences	7,583	27,855	35,438
At 31 December 2014	**96,195**	**303,003**	**399,198**
Amortisation and impairment			
At 1 January 2013	**1,233**	**717**	**1,950**
Amortisation	848		848
Exchange differences	237	101	338
At 31 December 2013	**2,318**	**818**	**3,136**
Amortisation	7,889		7,889
Acquisitions of a subsidiary (note 7)	2,998		2,998
Exchange differences	968	63	1,031
At 31 December 2014	**14,173**	**881**	**15,054**
Net book value			
At 31 December 2014	**82,022**	**302,122**	**384,144**
At 31 December 2013	**4,322**	**15,042**	**19,364**
At 1 January 2013	**3,531**	**3,614**	**7,145**

Amortisation method	Straight line
Economic useful lives	5 years

Intangible assets are the capitalised costs of developing and installing the software systems and related hardware used throughout the Group for debt collection, operational and administrative purposes. These include assets acquired through business combinations.

Goodwill acquired through business combinations has been tested for impairment at the end of 2014. The recoverable amount is based on calculations of a profit that should be able to sustain the recorded goodwill value. The profit is defined as the difference between net present value of net future cash flows after local collection costs and tax . The discount rate used is the weighted cost of capital calculated for each cash generating unit. The following cash generating units have been tested for impairment:

Interkreditt AS, Norway
The company was purchased in 2013 and the goodwill created at the time of acquisition amounted to NOK 10.9 million. The company has been tested using a 5 year cashflow model with a terminal value after 5 years discounted at local WACC . The basis for the expected future cashflow is the actual cashflow for 2014, the most recent budget for 2015 and a 2% rate of future revenue growth.

Creditreform Latvija SIA, Latvia
The company was purchased in 2014 and the goodwill created at time of acquisition, NOK 26.5 million, includes estimated contingent consideration in the form of an earn-out agreed with the sellers. The company has been tested using a 5 year cashflow model with a terminal value after 5 years discounted at local WACC. The basis for the expected future cashflow is the actual cashflow for 2014, the most recent budget for 2015 and a 2% rate of future revenue growth.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

Ultimo Holding Sarl, Luxembourg
The company was purchased in 2014 and the goodwill created at time of acquisition, NOK 233.7 million, includes estimated contingent consideration in the form of an earn-out agreed with the sellers. The company has been tested with regards to a 10 year cashflow model with a terminal value after 10 years discounted at local WACC. A 10 year cashflow model has been used as this most closely reflects the expected recoverable cashflows on the underlying purchased loan portfolios at the time of acquisition as well as the expected recoverable cashflows arising from a stable portfolio investment program based on expected portfolios available for sale.

Kontant Finans Sverige AB, Sweden
The company was purchased in 2014 and the goodwill created at the time of acquisition amounted to NOK 0.9 million. The company has been tested with regards to a 5 year cash flow model with a terminal value after 5 years discounted at local WACC. The basis for the expected future cashflow is the actual cashflow for 2014, the most recent budget for 2015 and a 2% rate of future revenue growth.

For further details about the local WACC used for impairment testing, please refer to note 6.2.

The result of the impairment tests show that there is no requirement to impair the goodwill in any of the cash generating units.

NOTE 17 Investments in associated companies

The Group has an investment in two associated companies, a 26% interest in Creditreform OÜ, Estonia and a 34.72% interest in Creditreform UAB, Lithuania. Both companies specialise in the collection of third party debt in their respective countries, and are privately owned companies.

The Group's shareholdings in these companies are owned by Creditreform Latvija SIA, Latvia, which was acquired by the Group on 1 January 2014 (see note 7 for further details).

	Credit-reform Lithuania	Credit-reform Estonia	2014
On acquisition	1,147	545	1,692
The Group's share of the associate's result after tax	119	165	284
Dividend received	0	-217	-217
Exchange differences	98	38	136
At 31 December 2014	**1,364**	**531**	**1,895**

A summary income statement for 2014 and balance sheet at 31 December 2014 for both companies is set out below:

	Credit-reform Lithuania	Credit-reform Estonia
Income statement		
Operating profit	409	643
Net financial items	-8	-8
Taxes	-58	0
Profit after tax	**343**	**635**
Balance sheet		
Non-current assets	343	2,286
Current assets	4,012	949
Non-current liabilities	0	-316
Current liabilities	-2,123	-1,961
Equity	**2,232**	**958**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 18 Accounts receivable

	2014	2013	At 1 January 2013
Accounts receivable - gross	28,190	5,375	3,300
Provision for impaired balances	-205		
	27,985	**5,375**	**3,300**

Accounts receivable are non-interest bearing and are generally on terms of 30-90 days.
At 31 December, the ageing analysis of accounts receivables was as follows:

			Past due but not impaired			
	Total	Not past due or impaired	0-60 days	61-120 days	>120 days	Past due and impaired
2014	**28,190**	24,619	2,782	547	37	205
2013	**5,375**	5,356	4		15	
At 1 January 2013	**3,300**	3,300				

NOTE 19 Other short-term assets

	2014	2013	At 1 January 2013
Collateral collected from debtors	11,591		
Short term interest-bearing receivables	4,208		
Prepayments	3,563	3,916	2,226
Value added, sales or other taxes receivable	4,974	192	30
Advances & security deposits paid to suppliers	3,951	252	274
Amounts due from employees	2,696	66	
Amounts due from previous owners of purchased loan portfolios			637
Other	1,363	571	307
	32,346	**4,997**	**3,474**

NOTE 20 Cash and short term deposits

	2014	2013	At 1 January 2013
Cash at banks			
- unrestricted balances	277,832	103,968	65,278
- tax deductions from employee payroll	421	366	146
- other restricted balances	9,851	8,008	281
	288,104	112,342	65,705
Short term deposits	6,044	5,318	
	294,148	**117,660**	**65,705**

Cash at banks earns interest at floating rates which are based on bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Restricted balances represent deposits paid into a short term escrow account in connection with the acquisition of loan portfolios.

At 31 December 2014, 31 December 2013 and 1 January 2013, the Group had available undrawn bank overdraft facilities at OK Perintä OY of EURO 2 million, NOK 18.1 million (2013: NOK 16.8 million and 1 January 2013: NOK 14.7 million).

For the purpose of the statement of cash flows, cash and cash equivalents comprised the cash and short term deposit balances in the table above.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 21 Share capital and other paid-in capital

Ordinary shares have a nominal value of NOK 0.10 each. The number and value of authorised and registered shares, and the amount of other paid-in capital, being the premium on shares issued less any transaction costs of new shares issued, was as follows:

	Share capital Number of shares	Share capital NOK'000s	Other paid-in capital NOK'000s
At 1 January 2013	**57,701,852**	**5,770**	**184,484**
Share issue in December 2012 registered in 2013	28,000,000	2,800	-2,800
Share issue on 10 April at NOK 3.6 for general investment purpose	41,666,667	4,167	145,833
Share issue on 28 May at NOK 4 for general investment purpose	15,110,886	1,511	58,933
Share issue on 2 September at NOK 4 for employee subscription	5,190,939	519	20,245
At 31 December 2013	**147,670,344**	**14,767**	**406,695**
Share issue on 8 May at NOK 4 per share for employee subscription	166,458	17	649
Share issue on 19 May at NOK 6 per share for general investment purpose	6,666,666	667	39,333
Share issue on 10 July at NOK 6 per share for employee subscription	133,334	13	787
Share issue on 26 August at NOK 2.5 per share related to exercise of independent subscription rights (see note 22)	1,000,000	100	2,400
Share issue on 26 August at NOK 6 per share to finance the purchase of the Ultimo Group	100,000,000	10,000	590,000
Share issue on 27 November at NOK 7.5 per share for general investment purposes	46,666,667	4,667	345,333
Share issue on 9 December at NOK 6 per share for employee subscription	3,578,713	358	21,114
Share issue on 9 December at NOK 6 per share in connection with the acquisition of the non-controlling interest in B2Kapital d.o.o., Croatia (note 7)	1,410,500	141	8,322
Share issue on 19 December at NOK 7,5 per share for general investment purposes	1,746,081	175	12,921
Decrease due to the transaction cost of the new share issues			-24,357
At 31 December 2014	**309,038,763**	**30,904**	**1,403,198**
Share issue on 27 February at NOK 7,55 per share in connection with the acquisition of the non-controlling interest in Sileo Kapital AB, Sweden (note 7)	2,174,908	217	16,094
Share issue on 17 April at NOK 7,5 per share in connection with the bonus payment to the Chief Executive Officer and Chairman of the Board	133,334	13	987
At 17 June 2015 (the date of completion of these financial statements)	**311,347,005**	**31,135**	**1,420,279**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

For further information regarding shares and shareholders, see note 11 to the parent company financial statements.

No dividends or non-cash distributions to owners have been paid or are proposed in the period from 1 January 2013 to the date of completion of these financial statements.

NOTE 22 Other capital reserves

On 15 December 2012, the company granted 3 million independent subscription rights to Mavenhead II Limited, a company controlled by Morten Hornness, the former Chief Financial Officer of B2Holding AS, each giving the right to subscribe for one share at NOK 2.50 per share. These subscription rights could be exercised as follows: 1 million from 28 November 2013 to 28 May 2014; 1 million from 28 November 2014 to 28 May 2015; and 1 million from 28 November 2015 to 28 May 2016.

One million independent subscription rights were exercised on 12 August 2014 and registered as a share capital increase on 26 August 2014 (note 21). The remaining two million independent subscription rights were cancelled on 15 January 2015 at the conclusion of the employment agreement with Morten Hornness.

The fair value of the independent subscription rights granted on 15 December 2012 of NOK 1.4 million was expensed in full in 2012.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 23 Interest bearing loans and borrowings

	2014	2013	At 1 January 2013
Short term			
Secured bank loans	159,336	41,189	5,594
	159,336	**41,189**	**5,594**
Long term			
Multi-currency revolving credit facility	205,259	252,192	0
Secured bank loans	848,216	49,440	15,005
	1,053,475	**301,632**	**15,005**

Multi-currency revolving credit facility

On 15 March 2013 , the Group entered into a NOK 300 million multi-currency revolving credit facility with DNB Bank Norway. This was the main source of funding for portfolio acquisitions in Sweden. The NOK, EUR and DKK tranches of this facility were repaid in 2014 and the nominal value of the remaining SEK part of the facility was SEK 223,7 million at 31 December 2014. The undrawn amount on the facility at 31 December 2014 was NOK 85.3 million.

Details of the interest rates, maturity and balance sheet values by currency are set out below.

	Interest rate %	Maturity	2014	2013
SEK	4.654 %	March 2016	205,259	229,291
NOK		Repaid June 2014		9,375
EUR		Repaid December 2014		8,098
DKK		Repaid December 2014		5,428
			205,259	**252,192**

Secured bank loans

The Group's Dutch subsidiary, Ultimo Netherlands BV, has a syndicated, secured bank loan with DNB Bank Norway as agent, with the purpose of financing the acquisition of Ultimo Poland. Likewise, the Group's Finnish subsidiaries, OK Perinta OY and OK Laskutus OY, have a secured bank loan with Nordea and Finnvera Bank, Finland with the purpose of financing the group's Finnish porfolio acquisitions.

As described in note 33, the loans to Ultimo Netherlands BV and OK Laskutus OY are secured by guarantees issued by their respective parent companies, B2Holding AS and OK Perinta OY. The loan to Ultimo Netherlands is secured by share pledges and pledges of intercompany accounts, and the loan to OK Perinta OY is secured by a floating charge over the assets of OK Perinta OY.

Details of the interest rates, maturity and outstanding balance sheet values by currency are summarised below.

	Currency	Interest rate %	Maturity	2014	2013	At 1 January 2013
Secured bank loan with DNB Bank, Norway	PLN	6.35 %	August 2019	910,401		
Secured bank loans with Nordea and Finnvera Banks, Finland	EURO	2.53 %	2016-2017	97,151	90,629	20,599
				1,007,552	**90,629**	**20,599**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

The repayment schedule by currency is shown in the table below:

	Multi-currency revolving credit facility				Secured bank loans	Secured bank loans	Total
	NOK	SEK	EUR	DKK	PLN	EUR	
At 31 December 2014							
2015					101,252	58,086	159,338
2016		214,259			101,252	27,955	343,466
2017					75,939	8,978	84,917
2018						767	767
2019 and later					675,011	1,370	676,381
	0	**214,259**	**0**	**0**	**953,454**	**97,156**	**1,264,869**
At 31 December 2013							
2014						41,189	41,189
2015						32,438	32,438
2016	10,000	237,212	8,370	5,610		14,265	275,457
2017 and later						2,743	2,743
	10,000	**237,212**	**8,370**	**5,610**		**90,635**	**351,827**
At 1 January 2013							
2013						5,594	5,594
2014						15,005	15,005
						20,599	**20,599**

Financial covenants

The financial covenants are presented in the tables below. All covenants have been met at 31 December 2014, 31 December 2013 and 1 January 2013.

	Requirement	2014	2013
Multi-currency revolving credit facility			
Minimum Book equity covenant	NOK 250 million	1,372,152	279,836
Leverage test: Net debt/EBITDA	Maximum 2.5	1.1	0.47
Debt Service coverage test: Ratio EBITDA/Debt Service	Minimum 1.1	4.59	12.37
Cashflow variance test: Actual versus Budget	Minimum 90%	99.80 %	93.71 %
Secured bank loans			
Interest Cover test: Ratio Cash EBITDA/Net Finance Charges	Minimum 5.0	5.61	N/A
Gross LTV Ratio test: Net Senior Debt/Total Relevant Asset	Maximum 100%	92.0 %	N/A
Borrowing Base Utilisation Rate test: Borrowing Base/Senior Net Debt	Maximum 100%	92.8 %	N/A

Bank borrowings secured by pledged assets	2014	2013	At 1 January 2013
Multi-currency revolving credit facility	205,259	252,192	
Secured bank loans	1,007,552	90,629	20,599
	1,212,811	342,821	20,599

Balance sheet value of pledged assets	2014	2013	At 1 January 2013
Purchase loan portfolios	1,364,154	536,698	43,459

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 24 Post employment liabilities

At the Ultimo group of companies in Poland, employees are entitled to one month's severance pay in the event of old-age or disability retirement. The fair value of this liability has been calculated by an actuary and represents the discounted payments that will be made in the future, taking into account employee turnover, age, discount rates and estimated future salary increases.

There were 747 employees covered under this scheme at 31 December 2014 and the liability at that date was NOK 323 thousand. The Ultimo group of companies was acquired on 29 August 2014 so there was no liability in the Group at 31 December 2013 or 1 January 2013.

The key actuarial assumptions and parameters used in the actuarial valuation were as follows:

Discount Rate (risk free)	2.50 %
Estimate annual salary increase	2.50 %
Retirement age	67 years
Probability of disability retirement	0.25 %
Life tables by Central Statistical Office from Poland	2013
Calculation method	Projected Unit Credit

NOTE 25 Other long term liabilities

	2014	2013	At 1 January 2013
Financial liabilities at fair value through profit or loss:			
Interest rate swap	846		
	846	**0**	**0**
Other liabilities at amortised cost			
Contingent consideration (Note 7)	28,752	28,330	34,001
Vendor financing	3,814		
Financial lease liability - due after more than 12 months	829		
	33,395	28,330	34,001
	34,241	**28,330**	**34,001**

The Group entered into an interest rate swap with DNB Bank ASA effective from 27 October 2014 based on a notional amount of PLN 309.5 million and a duration of 3 years. At 31 December 2014, the fair value of the interest rate swap liability was NOK 846 thousand, with the change in fair value since the commencement of the swap classified as other financial expenses in the statement of income.

Vendor financing relates to portfolios purchased with deferred payment terms. These are non-interest bearing and are normally less than one year. At 31 December 2014, the Group had vendor financing with terms of more than one year.

As part of the acquisition of Creditreform Latvija SIA, Latvia in 2014 and OK Perintä OY, Finland in 2012, contingent consideration is due according to the purchase agreements with the previous owners and based on the post-acquisition performance of the acquired entities in the years to 2016 and 2017 respectively. For the acquisition of Creditreform Latvija SIA, Latvia in 2014, the contingent consideration is described in more detail in note 7.

Contingent consideration due within one year is classified within other current liabilities.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 26 Accounts and other payables

	2014	2013	At 1 January 2013
Accounts payable	32,672	2,243	4,625
Vendor financing	58,444	25,837	5,693
Amounts due on the purchase of non-controlling interest (note 7)	16,339		
Amounts prepaid by loan debtors	12,003	2,688	1,725
Amounts owed to third party collection customers	1,067	227	19
Financial lease liability - due within 12 months	698		
	121,223	**30,995**	**12,062**

Accounts payable, amounts prepaid by loan debtors and amounts owed to third party collection customers are non-interest bearing and are normally settled within 30 days. Vendor financing is non-interest bearing and relates to portfolio purchases not yet fully paid but normally due within 6 months.

NOTE 27 Indirect taxes payable

	2014	2013	At 1 January 2013
Value added taxes / sales taxes payable	14,006	1,775	1,754
Payroll taxes payable	3,939	1,707	976
Social security payable	4,121	568	212
Other indirect taxes payable	339	71	10
	22,405	**4,121**	**2,952**

Indirect taxes are non-interest bearing and are payable on a regular basis to the relevant national tax authority.

NOTE 28 Other current liabilities

	2014	2013	At 1 January 2013
Contingent consideration	98,231	21,656	9,432
Amounts due to employees	29,127	8,452	4,894
Accrued interest on external loans	14,785	3,024	55
Accrued costs of external collection services and other expenses	12,582	1,382	1,967
Other	896	47	43
	155,621	**34,561**	**16,391**

Contingent consideration is described in more detail in note 7 and is classified as other current liabilities if due within one year.

Amounts due to employees are accruals for fixed and variable salaries and includes accruals for holiday entitlements according to local regulations and practices.

Interest payable on loans is normally paid quarterly throughout the financial year.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 29 Commitments

29.1 Operating lease commitments - Group as lessee

The Group has entered into commercial leases for office premises, motor vehicles and items of office equipment. The lease payments for the majority of the office premises lease contracts are adjusted according to the consumer price index, have an extension option and have an average life of between 12 months and 5 years. There are no restrictions placed upon the lessee under the lease contracts to use the office premises in the normal course of business. The operating lease costs for the following types of lease were as follows:

	2014	2013
Office premises	7,613	5,233
Motor vehicles	940	468
Office equipment	2,771	2,281
	11,324	**7,982**

Future minimum rentals payable under non-cancellable operating leases at 31 December 2014, 31 December 2013 and 1 January 2013 were as follows:

	2014	2013	At 1 January 2013
Rentals payable within one year	11,946	9,488	7,521
Rentals payable from one to five years	7,628	6,034	6,733
Rentals payable after more than five years	1,641	0	0
	21,215	**15,522**	**14,254**

Property sub-leases

Some smaller sections of the leased office premises have been sublet by the Group. Sub-lease receipts are recognised as a reduction in the operating lease payment during the period and amounted to NOK 170 thousand in 2014 (2013: NOK 55 thousand). Future minimum rentals receipts under non-cancellable sub-leases were as follows:

	2014	2013	At 1 January 2013
Rentals receipts within one year	109	175	52
Rentals receipts from one to five years	0	44	197
	109	**219**	**249**

29.2 Finance lease commitments - Group as lessee

The Group had no finance leases at 31 December 2013 or 1 January 2013 but entered into finance leases for various items of equipment in 2014. These leases have terms of renewal at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and the net present value of the minimum lease payments are as follows:

	Future minimum payments	Present value of payments
Rentals payable within one year	775	697
Rentals payable from one to five years	883	831
Total minimum lease payments	1,658	1,528
Less amounts representing finance charges	-130	
Present value of minimum lease payments	**1,528**	**1,528**

29.3 Forward flow commitments

The Group has committed to buy non-performing debt portfolios for delivery in future years ('forward flow' contracts) from financial institutions in the following countries at 31 December 2014. The estimated face value and purchase price of the majority of contracts is based on the maximum face value in the purchase agreement. There were no such commitments at 31 December 2013 or 1 January 2013.

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

	31 December 2014	
	Face value	Purchase price
Latvia	10,437	4,970
Finland	1,608	1,121
	12,045	**6,091**

NOTE 30 Related party disclosure

The Group's related parties include the Group Executive Management and members of the Board of Directors of the parent company. There have been no related party transactions with these categories of related party in 2014 or 2013.

Companies in the Group are also related parties. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group. Sales to and purchases from intra-group related parties are made at normal market prices as the transactions are performed on the same terms as unrelated parties.

Outstanding intra-group balances at the year end are unsecured, and other than for interest-bearing loans, are interest free. At 31 December 2014, 31 December 2013 and 1 January 2013, the Group has not made any provision of doubtful debts relating to intra-group related party balances, nor have guarantees been provided or received. This assessment has been undertaken for each period end based on an examination of the financial position of the related party and the market in which the related party operates.

The financial statements of the Group include the subsidiaries listed in the following table:

		% equity interest		
Company name	**Country of incorporation**	**2014**	**2013**	**At 1 January 2013**
Interkreditt AS	Norway	100 %	100 %	(2)
Ultimo Netherlands BV	Netherlands	100 %	(1)	
ULTIMO Holding Sarl	Luxembourg	100 %	(1)	
ULTIMO Portfolio Investment SA	Luxembourg	100 %	(1)	
ULTIMO SA	Poland	100 %	(1)	
ULTIMO Securisation Fund	Poland	100 %	(1)	
ULTIMO Legal Office	Poland	99 %	(1)	
TAKTO Group comprising TAKTO Sp z.o.o, TAKTO Sp.j. & Invest TAKTO SKA	Poland	100 %	(1)	
Sileo Holding AB	Sweden	100 %	100 %	(2)
Sileo Kapital AB	Sweden	90.9 %	50.1 %	50.1 %
Sileo Finans AB	Sweden	100 %	100 %	(2)
Kontant Finans Sverige AB	Sweden	90.1 %	(1)	
OK Kapital OY	Finland	100 %	100 %	100 %
OK Perintä OY	Finland	100 %	100 %	100 %
OK Laskutus OY	Finland	51 %	51 %	(2)
OK Sileo OY	Finland	100 %	100 %	(2)
OK Incure OÜ	Estonia	100 %	100 %	100 %
TCM Estonia OÜ	Estonia	100 %	100 %	100 %
B2 Kapital SIA	Latvia	100 %	100 %	(2)
Creditreform Latvija SIA	Latvia	99.5 %	(1)	
Crefo Rating SIA	Latvia	100 %	(1)	
Crefo Finance SIA	Latvia	100 %	(1)	
B2 Holding Kapital d.o.o	Croatia	100 %	100 %	(2)
B2 Kapital d.o.o	Slovenia	100 %	(1)	
B2 Holding Kapital d.o.o	Serbia	100 %	(1)	
B2 Kapital d.o.o	Montenegro	100 %	(1)	

(1) Established or acquired by the Group in 2014 (2)Established or acquired by the Group in 2013

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 31 Remuneration

31.1 Chief Executive Officer and Board of Directors

	Salary	Bonuses earned in 2014	Pension cost	Other benefits	Total	Director's fee
Remuneration 2014						
Olav Dalen Zahl, Chief Executive Officer	2,413,913	1,000,000	48,110	6,790	3,468,813	
Board of Directors						
Jon Harald Nordbrekken, Chairman	1,683,545	600,000	72,668	6,790	2,363,003	0
Ole Grøterud						100,000
Rune Husby						100,000
Trygve Lauvdal						100,000
Per Kristian Spone						100,000
Niklas Wiberg						100,000
Total						**500,000**
Remuneration 2013						
Olav Dalen Zahl, Chief Executive Officer	2,097,008	500,000	26,062	6,389	2,629,459	
Board of Directors						
Jon Harald Nordbrekken, Chairman	1,179,409	0	0	6,389	1,185,798	0
Ole Grøterud						100,000
Rune Husby						100,000
Per Kristian Spone						100,000
Total						**300,000**

The Chief Executive Officer, Olav Dalen Zahl, is entitled to 12 months salary if his employment is terminated. He also has a share and bonus payment plan covering the period 2013-2017. If the share price is over a specific target for a given year he is entitled to a cash bonus. The cash bonus less the personal income tax payable on the bonus, shall be re-invested in B2Holding AS shares at a price no lower than the price of the most recent share issue, or equivalent market price.

The Chairman of the Board, Jon Harald Nordbrekken, has a separate agreement regarding remuneration. He works 60% of his time for B2Holding AS and his renumeration is a percentage of the remuneration for the Chief Executive Officer.

31.2 Fees to auditors

The table below summarises audit fees, fees for audit related services, tax advisory services and other services incurred by the Group during 2013 and 2014 from Ernst & Young, who were appointed the Group auditors in December 2014 but had acted as auditors and advisers to some of the Group's subsidiaries prior to this. Fees include all companies in the Group.

	2014	2013
Fees for statutory auditing, as agreed for the financial year	2,300	50
Fees for tax advisory services, as expensed during the year	2,100	
	4,400	**50**

Notes to the consolidated financial statements

All figures in NOK'000s unless otherwise stated

NOTE 32 Contingent liabilities

B2 Holding AS, the Group's parent company, was subject to a tax audit of the treatment of reverse VAT charges on the delivery of services "capable of delivery from a remote location" at the end of 2014. The company is waiting for final confirmation of the findings.

There were no contigent liabilities at 31 December 2013 or 1 January 2013.

NOTE 33 Guarantees

In connection with the Group external secured bank loans:

- B2Holding AS, the Group's parent company has issued a parent company guarantee to DnB Bank ASA in August 2014 as security for the PLN 500 million loan facility to Ultimo Netherlands BV to finance the acquisition of the Ultimo group of companies. At 31 December 2014, the balance on the loan facility was PLN 452 million ; and
- on 1 January 2013, OK Perintä OY, Finland, issued a parent company guarantee of EURO 350 thousand to Nordea and Finnvera Banks in Finland as security for the loan facility to OK Laskutus OY, a subsidiary of OK Perinta OY. At 31 December 2014, the balance on the loan facility was EURO 350 thousand.

There were no other guarantees at 31 December 2013 or 1 January 2013.

NOTE 34 Subsequent events

On 11 June 2015, B2Holding AS concluded a term sheet with DNB Bank Norway for a Revolving Credit Facility of EUR 260 million. This facility replaces the existing revolving credit and secured bank loan facilities in the Group consisting of the NOK 300 million revolving credit facility and PLN 500 million secured bank loan with DNB Bank and the EUR 12 million facility with Nordea Bank. The new EUR 260 million facility will have an increased borrowing capacity at a lower margin compared to the current loan facilities. The new facility will be flexible and supportive for the B2Holding Group when entering new geographical markets and new type of services.

Parent company income statement

All figures in NOK'000s unless otherwise stated

Year ended 31 December	Notes	2014	2013
Operating revenue		**0**	**82**
Personnel costs	3	-13,841	-5,970
Depreciation of tangible fixed assets		-48	-32
Other operating expenses	4	-13,060	-12,605
Total operating expenses		**-26,949**	**-18,607**
Operating profit		**-26,949**	**-18,525**
Group tax contribution received from group companies		2,980	2,300
Interest income from group companies		41,645	29,269
Other interest income	5	1,009	1,331
Other financial income	5	43,072	40,284
Interest expense to group companies		-455	0
Other interest expenses	5	-14,014	-10,985
Other financial expenses	5	-8,465	-15,174
Net financial items		**65,772**	**47,025**
Profit for the year before tax		**38,823**	**28,500**
Change in deferred taxes	6	-4,999	304
Profit for the year after tax		**33,824**	**28,804**
Allocations:			
Transfer to other equity		33,824	28,804

Parent company balance sheet

All figures in NOK'000s unless otherwise stated

At 31 December	Notes	2014	2013
Non current assets			
Tangible fixed assets	7	44	44
Investment in subsidiary companies	8	645,635	41,859
Long term loans to group companies		933,867	584,934
Other long term financial assets		6,252	7,129
Deferred tax asset	6	15,017	304
Total non-current assets		**1,600,815**	**634,270**
Current assets			
Accounts receivable		0	25
Short term receivables from group companies		51,068	7,967
Other short term assets		5,241	7,162
Cash and short term deposits	9	117,263	62,065
		173,572	**77,219**
Total assets		**1,774,387**	**711,489**
Equity			
Paid in capital			
Share capital	10	30,904	14,767
Other paid in capital	10	1,403,198	406,695
		1,434,102	421,462
Retained earnings			
Other equity	11	58,872	25,048
Total equity		**1,492,974**	**446,510**
Non-current liabilities			
Long term interest bearing loans and borrowings	12	214,259	261,192
Deferred tax liabilities	6	19,712	
Other long term liabilities	13	8,959	0
Total long term liabilities		**242,930**	**261,192**
Current liabilities			
Accounts and other payables	14	31,390	201
Income taxes payable		0	0
VAT, payroll and other indirect taxes		2,943	481
Other current liabilities	13	4,150	3,105
Total current liabilities		**38,483**	**3,787**
Total liabilities		**281,413**	**264,979**
Total equity & liabilities		**1,774,387**	**711,489**

Oslo, 17 June 2015

Jon Harald Nordbrekken, *Chairman of the Board*

Kjetil Garstad, *Board Member*

Trygve Lauvdal, *Board Member*

Per Kristian Spone, *Board Member*

Niklas Wiberg, *Board Member*

Olav Dalen Zahl, *Chief Executive Officer*

Parent company cash flow statement

All figures in NOK'000s unless otherwise stated

Year ended 31 December	2014	2013
Cash flow from operating activities		
Profit for the year before tax	38,823	28,500
Adjustment for non-cash items:		
Depreciation and amortisation of assets	48	32
Interest expense on interest bearing loans	14,014	10,985
Amortisation of loan financing costs	3,000	2,250
Unrealised foreign exchange differences	2,537	12,872
Operating cashflows:		
(Grant)/repayment of long term receivables	814	-6,663
Interest paid on interest bearing loans	-14,172	-10,354
Operating capital adjustments:		
Decrease/(increase) in short term balances with group companies	-43,101	-5,565
Decrease/(increase) in accounts receivable and other short term assets	-1,054	782
Increase/(decrease) in accounts payable and other short term liabilities	20,542	-215
Net cash flow from operating activities	**21,451**	**32,624**
Cash flow from investing activities		
Purchase of tangible fixed assets	-47	
Purchase of shares in subsidiary companies	-580,040	-32,892
Increase in long term loans to group companies	-348,933	-452,246
Net cash flow from investing activities	**-929,020**	**-485,138**
Cash flow from financing activities		
Proceeds from the issue of new shares, less share issue costs	1,012,640	231,207
Establishment of interest bearing loans and borrowings, less loan financing costs		250,100
Repayment of interest bearing loans and borrowings during the year	-49,873	-10,780
Net cash flow from financing activities	**962,767**	**470,527**
Net cash flow during the year	**55,198**	**18,013**
Cash and cash equivalents at 1 January	**62,065**	**44,052**
Cash and cash equivalents at 31 December	**117,263**	**62,065**

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

NOTE 1 Summary of significant accounting policies

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2014, consist of the income statement, balance sheet, cash flow statement and notes to the accounts. The financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 000) except where otherwise indicated.

Investments

Investment in subsidiaries is accounted for using the cost method. The investments are recorded at the acquisition price of the shares and will be written down or impaired to fair value when a fall in value is due to reasons that cannot be assumed to be temporary and are necessary according to generally accepted accounting principles. Write-downs are reversed when there is no longer a basis for impairment. Dividends and group tax contributions from subsidiaries are recognised in the income statement when the subsidiary has proposed these.

Interest bearing loans and borrowings

Borrowings are recognised at nominal value. Directly associated costs are amortised straightline over the term of the loan.

Foreign currency

Transactions in a currency other than Norwegian kroner are recognised at the exchange rate in effect on the transaction date. When such transactions are settled, any difference in the exchange rate will give rise to a realised exchange rate gain or loss. Monetary assets or liabilities in a currency other than Norwegian kroner are translated at the exchange rates on each balance sheet date and will give rise to an unrealised exchange rate gain or loss. Both realised and unrealised exchange rate differences are recognised in net financial items in the income statement.

Classification

Current assets and short-term liabilities include items due less than one year from the reporting date, and items tied to the operating cycle, if longer. The current portion of long-term debt is included as current liabilities. Other assets are classified as non-current assets.

Defined contribution pension plans:

The company operates a defined contribution pension plan under which the company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods, and therefore does not record a pension liability in the balance sheet.

Tangible fixed assets

Tangible fixed assets are recorded in the balance sheet at historical cost less depreciation based on an assessment of useful economic life. If the recoverable amount is less than the balance sheet value, then the amount is depreciated to the recoverable amount which is the highest of net sales value or value in use. Value in use is the current value of the future cash flows that the asset will generate.

Lease agreements

A lease is classified as either a finance or operating lease. Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease payments are expensed on a straight-line basis over the lease term.

Receivables and other current assets

Receivables and other current assets are accounted for at face value less any provision for expected losses.

Tax

Current income tax:

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax:

Deferred tax is computed using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date as well as tax losses carried forward. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.

Cash flow statement

The cash flow statement is prepared according to the indirect method which reconciles the change in cash and short term deposits to the profit for the year before tax. Cash flows are divided into cash flows from operating activities, investing activities and financing activities. Cash and short term deposits consist of cash and cash equivalents as well as immediately available balances with banks and similar institutions. Short term deposits are easily and readily convertible to a known amount of cash and have a maturity of not more than three months.

NOTE 2 Financial risk management

The purpose of financial risk management is to handle the exposure of operational risks relating mainly to the Group's assets and liabilities in different currencies and can be divided into: market risk , currency and interest rate risk, credit risk and liquidity risk. The Company focuses on the unpredictability and seeks to minimise the potential adverse effects of the market fluctuations on the Company's financial performance.

Market risk

The prime market risk for the Company is related to general economic conditions and statutory regulations in various geographical markets which have an impact on the debtors' ability to pay and vendors' criteria for selling portfolios of loans and receivables.

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

The services and products offered in the respective geographical markets are subject to strict local laws and regulations, including requirements for lending, ownership and debt collection licenses, as well as legislation concerning personal data protection. Any legislative changes concerning consumer credit could affect the Group's earnings, market position and range of products and services.

Currency and interest rate risk:
The Company's finance strategy is to manage and limit both currency and interest rate risk.

At 31 December 2014, an unsecured loan in SEK amounted to NOK 214.2 million. The loan has a floating interest rate, and the Company is on an ongoing basis evaluating the interest exposure.

The interest exposures related to the borrowed amount in subsidiary companies in different currencies are reduced by using interest rate swaps in PLN (Polish Zloty).

In general, changes in macroeconomic factors such as interest rates may impact the debtors' ability to repay their debt and thereby influence the future cash flow received from the portfolios.

The Company's unsecured loans for financing the acquisition of loans and receivables in the subsidiaries are in various currencies, which creates exposure to currency fluctuations. The operational currency risk is reduced by the fact that these loans are drawn in the same currency as the intercompany loans and receivables. This exposure is under constant review, and the Group has no external currency hedging instrument at 31 December 2014.

At 31 December 2014, the Company held a total of EUR 40.1 million of debt designated as hedges of net investments in foreign entities. The hedges were assessed to be highly effective. At 31 December 2014, the hedges had a fair value of NOK 38.5 million recognised as a gain in other comprehensive income. There is no ineffectiveness recognised in 2014.

Credit risk
The company's credit exposure mainly consists of intercompany receivables that are related to the above mentioned funding of portfolio investments in subsidiaries. The credit risk is reflected through the subsidiaries profits on their portfolio investments. It is the Company's view that the credit risk is relatively low, as the portfolios funded through intercompany loans have been purchased at significant discounts compared to original value.

Liquidity risk
The Company's Revolving Credit Facility ensures the availability of necessary credit lines to meet the future obligations of the Company. At 31 December 2014, a total of NOK 85.8 million was available on this credit line.

NOTE 3 Personnel costs

	2014	2013
Wages, salaries and other benefits paid	10,876	5,119
Social security costs & payroll taxes	2,119	733
Defined contribution pension costs	231	105
Other personnel costs	615	13
	13,841	**5,970**
Number of full time equivalents (FTEs) at 31 December	4	4

All employees are covered by a defined contribution pension plan which fulfill the company's obligations under the Norwegian occupational pension legislation.

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

NOTE 4 Other operating expenses

	2014	2013
Legal services	5,000	1,461
Travel, accommodation, meetings, arrangements	2,880	1,150
Other professional services, including due diligence and transation services	2,154	7,919
Cost of office premises	843	747
IT, telecommunications	678	295
Marketing, business entertaining	361	364
External accounting services	203	153
Audit and tax services	202	241
Bank charges	156	18
Office supplies, stationary	141	99
Printing, postage	73	44
Other costs	369	114
	13,060	**12,605**

NOTE 5 Net financial items

	2014	2013
Other interest income		
Interest income on cash & short term deposits	761	1,331
Other interest income	248	0
	1,009	**1,331**
Other financial income		
Realised exchange gains	5,109	1,262
Unrealised exchange gains	37,963	39,022
	43,072	**40,284**
Other interest expenses		
Interest expense on interest bearing loans	14,012	10,985
Other interest expense	2	0
	14,014	**10,985**
Other financial expenses		
Realised exchange losses	3,409	134
Unrealised exchange losses	35	12,790
Costs of financing	5,021	2,250
	8,465	**15,174**

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

NOTE 6 Taxes

The major components of income tax reported in the income statement were:	2014	2013
Current income tax:		
Current year income tax payable	0	0
Deferred tax expense/(income):		
Origination and reversal of temporary differences	4,999	-304
	4,999	-304
Total tax expense reported in the income statement	**4,999**	**-304**

Calculation of the income tax base	2014	2013
Profit before tax	38,823	28,500
Permanent differences	-23,289	-28,237
Group tax contribution received from group companies	2,980	2,300
Change in temporary differences	-59,453	12
Transfer to/(from) tax losses carried forward	40,939	-2,575
Current year income tax base	**0**	**0**
Current year income tax payable at 27% (2013: 28%)	**0**	**0**

	Deferred taxes		Change in deferred taxes
Calculation of the deferred tax base	2014	2013	2014
Taxable temporary differences:			
Long term loans to group companies	73,007	0	
Deductible temporary differences:			
Fixed assets	-28	-10	
Long term interest bearing loans	-13,535	0	
Tax losses carried forward - no time limit on expiry	-42,055	-1,116	
	-55,618	-1,126	
Basis for deferred tax asset at 27%	4,695	-304	4,999
Deferred tax asset not recognised	0	0	0
Net deferred tax/change in deferred taxes	**4,695**	**-304**	**4,999**
Comprising:			
Deferred tax liability	19,712	0	
Deferred tax asset	-15,017	-304	
	4,695	**-304**	

Reconciliation of the Norwegian nominal tax rate to the effective tax rate	2014	2013
Profit before tax	38,823	28,500
Expected tax expense at the Norwegian nominal tax rate of 27% (2013: 28%)	**10,482**	**7,980**
Tax effect of permanent differences	-5,483	-7,262
Tax effect of changes in nominal tax rates		11
Tax effect of the change in unrecognised deferred taxes	0	-1,033
Total income and deferred tax expense	**4,999**	**-304**

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

NOTE 7 Tangible fixed assets

	Equipment, fixtures & fittings
Acquisition/purchase cost	
At 1 January 2014	107
Additions	48
At 31 December 2014	**155**
Depreciation and impairment	
At 1 January 2014	63
Depreciation charge for the year	48
At 31 December 2014	**111**
Net book value	
At 31 December 2014	**44**
At 1 January 2014	**44**
Depreciation method	Straight line
Economic useful lives	3-5 years

NOTE 8 Investment in subsidiaries

Name of subsidiary	Country of incorporation	Established/acquired	% equity interest 2014	% equity interest 2013	Book value 2014
Interkreditt AS	Norway	2013	100 %	100 %	14,155
Ultimo Netherlands BV	Netherlands	2014	100 %		508,041
Sileo Holding AB	Sweden	2013	100 %	100 %	1,080
Sileo Kapital AB	Sweden	2012	90.9 %	50.1 %	42,614
Sileo Finans AB	Sweden	2013	100 %	100 %	1,848
OK Kapital OY	Finland	2012	100 %	100 %	3,493
B2 Kapital SIA	Latvia	2013	100 %	100 %	5,302
Creditreform Latvija SIA	Latvia	2014	99.5 %		44,898
B2 Holding Kapital d.o.o	Croatia	2013	100 %	100 %	22,466
B2 Kapital d.o.o	Slovenia	2014	100 %		869
B2 Holding Kapital d.o.o	Serbia	2014	100 %		869
B2 Kapital d.o.o	Montenegro	2014	100 %		0
					645,635

For details of all companies in the B2Holding AS group, refer to note 30 in the Group financial statements.

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

NOTE 9 Cash and short term deposits

	2014
Cash at banks	
- unrestricted balances	107,128
- tax deductions from employee payroll	328
- other restricted balances	9,807
	117,263

Cash at banks earns interest at floating rates which is based on bank deposit rates.

Other restricted balances represent deposits paid into a short term escrow account in connection with the acquisition of loan portfolios.

For the purpose of the statement of cash flows, cash and cash equivalents comprised the cash balances in the table above.

NOTE 10 Changes in shareholders' equity

Year ended 31 December 2013	Share capital	Other paid-in capital	Other equity	Total equity
At 1 January 2014	**14,767**	**406,695**	**25,048**	**446,510**
Profit for the year after tax			33,824	33,824
Issue of share capital (note 11)	16,137	1,020,860		1,036,997
Transaction costs (note 11)		-24,357		-24,357
At 31 December 2014	**30,904**	**1,403,198**	**58,872**	**1,492,974**

No dividends or non-cash distributions to owners have been paid or are proposed in the period from 1 January 2014 to the date of completion of these financial statements.

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

NOTE 11 Share capital and other paid-in capital

Ordinary shares have a nominal value of NOK 0.10 each and all provide the same rights in the company. The number and value of authorised and registered shares, and the amount of other paid-in capital, being the premium on shares issued less any transaction costs of new shares issued, was as follows:

	Share capital Number of shares	Share capital NOK'000s	Other paid-in capital NOK'000s
At 1 January 2014	**147,670,344**	**14,767**	**406,695**
Share issue on 8 May at NOK 4 per share for employee subscription	166,458	17	649
Share issue on 19 May at NOK 6 per share for general investment purpose	6,666,666	667	39,333
Share issue on 10 July at NOK 6 per share for employee subscription	133,334	13	787
Share issue on 26 August at NOK 2.5 per share related to exercise of independent subscription rights	1,000,000	100	2,400
Share issue on 26 August at NOK 6 per share for finance the purchase of the Ultimo Group	100,000,000	10,000	590,000
Share issue on 27 November at NOK 7.5 per share for general investment purposes	46,666,667	4,667	345,333
Share issue on 9 December at NOK 6 per share for employee subscription	3,578,713	358	21,114
Share issue on 9 December at NOK 6 per share in connection with the acquisition of the non-controlling interest in B2Kapital d.o.o., Croatia	1,410,500	141	8,322
Share issue on 19 December at NOK 7,5 per share for general investment purposes	1,746,081	175	12,921
Decrease due to the transaction cost of the new share issues			-24,357
At 31 December 2014	**309,038,763**	**30,904**	**1,403,198**
Share issue on 27 February at NOK 7,55 per share in connection with the acquisition of the non-controlling interest in Sileo Kapital AB, Sweden	2,174,908	217	16,094
Share issue on 17 April at NOK 7,5 per share in connection with the bonus payment to the Chief Executive Officer and Chairman of the Board	133,334	13	987
At 17 June 2015 (the date of completion of these financial statements)	**311,347,005**	**31,135**	**1,420,279**

The ten largest shareholders at 31 December 2014 were as follows:	**Number of shares**	**% total**
Rasmussengruppen AS	54,739,886	17.71 %
Prioritet Group AB	50,198,497	16.24 %
Valset Invest AS	23,999,600	7.77 %
Stenshagen Invest AS	13,816,700	4.47 %
Indigo Invest AS	11,897,619	3.85 %
Byrn Invest AS	8,412,346	2.72 %
Greenway AS	5,802,368	1.88 %
Verdipapirfondet Handelsbanken	5,000,000	1.62 %
Vevlen Gård AS	4,850,000	1.57 %
Arctic Funds plc	4,833,300	1.56 %
Remaining shareholders	125,488,447	40.61 %
	309,038,763	**100.00 %**

The number of shares owned directly or indirectly by the Chief Executive Officer and Members of the Board of Directors at 31 December 2014 were as follows:

Name	Position	Number of shares
Jon Harald Nordbrekken	Chairman of the Board	25,999,640
Olav Dalen Zahl	Chief Executive Officer	2,510,401
Kjetil Garstad	Board member	453,000

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

NOTE 12 Long term interest bearing loans and borrowings

	Currency	Nominal interest	Debt in lobal currency	Debt in NOK	Maturity
Long term multi-currency revolving credit facility	SEK	4.65 %	223,720	214,259	March 2016

B2Holding AS has a multi-currency revolving credit facility of NOK 300 million with DNB Bank ASA. The undrawn amount at 31 December 2014 was NOK 85.7 million. As security for this facility, DNB Bank ASA has a pledge over the shares in OK Perinta OY, a subsidiary of OK Kapital OY, Finland and Sileo Kapital AB, Sweden. Furthermore, the bank has a negative pledge on the assets belonging to B2Holding AS and Sileo Kapital AB.

Financial covenants

The financial covenants are presented in the tables below. They include both solidity and liquidity covenants and are measured at the level of B2Holding group consolidated. All covenants have been met at 31 December 2014.

	Requirements	2014
Minimum book equity	Minimum NOK 250 million	1,372,152
Leverage test - Net debt/EBITDA	Maximum 2.5	1.1
Debt Service coverage ratio EBITDA/Debt Service	Minimum 1.1	4.59
Cashflow variance Actual versus Budget	Minimum 90%	99.8 %

NOTE 13 Other long term liabilities

Other long term liabilities represents contingent consideration on the acquisition of Creditreform Latvija SIA, Latvia which is due in more than 12 months. The contingent consideration due in less than 12 months is classified as other current liabilities and at 31 December 2014 amounted to NOK 1.9 million.

This business combination is described in more detail in note 7 to the B2Holding Group financial statements.

NOTE 14 Accounts and other payables

At 31 December 2014, accounts and other payables included an amount of NOK 16.3 million due to the seller of shares in Sileo Kapital AB. This was settled in 2015 by issuing 2,174,908 shares in B2Holding AS at NOK 7.5 per share (note 11). The share increase was registered on 27 February 2015.

NOTE 15 Commitments

The company has a commercial leases for its office premises; it had no other operating leases in 2014 or at 31 December 2014. The operating lease costs in 2014 were as follows:

	2014
Office premises	837

Future minimum rentals payable under the non-cancellable operating lease at 31 December 2014 were as follows:

	2014
Rentals payable within one year	390
	390

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

NOTE 16 Remuneration

16.1 Chief Executive Officer and Board of Directors

	Salary	Bonuses earned in 2014	Pension cost	Other benefits	Total	Director's fee
Remuneration 2014						
Olav Dalen Zahl, Chief Executive Officer	2,413,913	1,000,000	48,110	6,790	3,468,813	
Board of Directors						
Jon Harald Nordbrekken, Chairman	1,683,545	600,000	72,668	6,790	2,363,003	0
Ole Grøterud						100,000
Rune Husby						100,000
Trygve Lauvdal						100,000
Per Kristian Spone						100,000
Niklas Wiberg						100,000
Total						**500,000**
Remuneration 2013						
Olav Dalen Zahl, Chief Executive Officer	2,097,008	500,000	26,062	6,389	2,629,459	
Board of Directors						
Jon Harald Nordbrekken, Chairman	1,179,409	0	0	6,389	1,185,798	0
Ole Grøterud						100,000
Rune Husby						100,000
Per Kristian Spone						100,000
Total						**300,000**

The Chief Executive Officer, Olav Dalen Zahl, is entitled to 12 months salary if his employment is terminated. He also has a share and bonus payment plan covering the period 2013-2017. If the share price is over a specific target for a given year he is entitled to a cash bonus. The cash bonus less the personal income tax payable on the bonus, shall be re-invested in B2Holding AS shares at a price no lower than the price of the most recent share issue, or equivalent market price.

The Chairman of the Board, Jon Harald Nordbrekken, has a separate agreement regarding remuneration. He works 60% of his time for B2Holding AS and his remuneration is a percentage of the remuneration for the Chief Executive Officer.

16.2 Fees to auditors

The table below summarises audit and advisory fees paid to Ernst & Young, who were appointed auditors in December 2014 but had acted as advisers prior to this date.

	2014
Fees for statutory auditing, as agreed for the financial year	450
Fees for tax advisory services, as expensed during the year	1,719
	2,169

Notes to the parent company financial statements

All figures in NOK'000s unless otherwise stated

NOTE 17 Related party disclosure

The company's related parties include the Chief Executive Officer and members of the Board of Directors. There have been no related party transactions with these related parties in 2014.

Companies in the B2Holding Group are also related parties. Sales to and purchases from intra-group related parties are made at normal market prices as the transactions are performed on the same terms as unrelated parties.

Outstanding intra-group balances at the year end are unsecured, and other than for interest-bearing loans, are interest free. At 31 December 2014, the company has not made any provision of doubtful debts relating to intra-group related party balances, nor have guarantees been provided or received. This assessment has been undertaken at 31 December 2014 based on an examination of the financial position of the related party and the market in which the related party operates.

NOTE 18 Contingent liabilities

B2 Holding AS was subject to a tax audit of the treatment of reverse VAT charges on the delivery of services "capable of delivery from a remote location" at the end of 2014. The company is waiting for final confirmation of the findings.

NOTE 19 Guarantees

In connection with external secured bank loans in the B2Holding Group, B2Holding AS has issued a parent company guarantee to DnB Bank ASA in August 2014 as security for the PLN 500 million loan facility to Ultimo Netherlands BV, a subsidiary company, to finance the acquisition of the Ultimo group of companies. At 31 December 2014, the balance on the loan facility was PLN 452 million.

NOTE 20 Guarantees

On 11 June 2015, B2Holding AS concluded a term sheet with DNB Bank ASA for a Revolving Credit Facility of EUR 260 million. This facility replaces the existing revolving credit and secured bank loan facilities in the Group consisting of the NOK 300 million revolving credit facility and PLN 500 million secured bank loan with DNB Bank and the EUR 12 million facility with Nordea Bank. The new EUR 260 million facility will have an increased borrowing capacity at a lower margin compared to the current loan facilities. The new facility will be flexible and supportive for the B2Holding Group when entering new geographical markets and new type of services.

Auditor’s report

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Statsautoriserte revisorer
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To the Annual Shareholders' Meeting of
B2Holding AS

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of B2Holding AS, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2014, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2014, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer 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 financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer 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.

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2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of B2Holding AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and 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 of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

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 the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 19 June 2015
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)