

IBM Finans Norge AS
Condensed Interim Financial Statements
31 March 2016

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For the Quarter Ended 31 March 2016

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Condensed Interim Statement of Comprehensive Income

For the Quarter Ended 31 March 2016

	Notes	Three months ended		Year ended
		31 March 2016	31 March 2015	31 December 2015
		NOK'000	NOK'000	NOK'000
		Unaudited		Audited
Finance income	2	1 995	3 733	11 967
Finance cost		(141)	(288)	(863)
Net finance income		1 854	3 445	11 104
Other expense and income				
Other (expense) / income	3	(502)	(357)	(1 899)
Total expense and other income		(502)	(357)	(1 899)
Profit before income tax		1 352	3 088	9 205
Income tax expense	4	(339)	(834)	(2 490)
Profit for the period / Total comprehensive income		1 013	2 254	6 715

All operations are classified as continuing.

The notes on pages 6 to 11 form part of these financial statements.

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Condensed Interim Statement of Financial Position

As at 31 March 2016

		31 March 2016	31 December 2015	31 March 2015
		NOK'000	NOK'000	NOK'000
	Notes	Unaudited	Audited	Unaudited
Current assets				
Cash and cash equivalents	10	-	-	-
Receivables from related parties	10	54	147	11
Factored receivables	5	163 631	235 412	206 036
		163 685	235 559	206 047
Non-current assets				
Deferred tax asset		89	45	48
		89	45	48
Total assets		163 774	235 604	206 095
Current liabilities				
Borrowing	6	58 133	87 417	85 621
Payables to related parties	10	9 473	63 167	39 888
Tax payables		2 845	2 464	2 331
Other payables		13 708	3 954	4 114
		84 159	157 002	131 954
Total liabilities		84 159	157 002	131 954
Net assets		79 615	78 602	74 141
Issued capital and reserves				
Share capital		45 000	45 000	45 000
Retained profits		34 615	33 602	29 141
Total equity		79 615	78 602	74 141

The notes on pages 6 to 11 form part of these financial statements.

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Condensed Interim Statement of Changes in Equity

As at 31 March 2016

	Issued capital	Other paid-in capital	Retained earnings	Total equity
	NOK'000	NOK'000	NOK'000	NOK'000
At 1 January 2016	45 000	14 880	18 722	78 602
Profit for the period / Total comprehensive income	-	-	1 013	1 013
At 31 March 2016 (unaudited)	<u>45 000</u>	<u>14 880</u>	<u>19 735</u>	<u>79 615</u>
At 1 January 2015	45 000	14 880	12 007	71 887
Profit for the period / Total comprehensive income	-	-	2 254	2 254
At 31 March 2015 (unaudited)	<u>45 000</u>	<u>14 880</u>	<u>14 261</u>	<u>74 141</u>
At 1 January 2015	45 000	14 880	12 007	71 887
Profit for the period / Total comprehensive income	-	-	6 715	6 715
At 31 December 2015 (audited)	<u>45 000</u>	<u>14 880</u>	<u>18 722</u>	<u>78 602</u>

The notes on pages 6 to 11 form part of these financial statements.

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Condensed Interim Statement of Cash Flows

For the Quarter Ended 31 March 2016

	Three months ended		Year ended
	31 March 2016	31 March 2015	31 December 2015
	NOK'000	NOK'000	NOK'000
	Unaudited		Audited
Profit for the period	1 014	2 254	6 715
Adjustments for			
Income tax	338	834	2 490
Changes in operating assets and liabilities			
Income tax paid	-	(992)	(2 511)
Decrease / (Increase) in receivables from related parties	10 92	2	(134)
Decrease in factored receivables	5 71 779	99 603	70 227
(Decrease) / Increase in borrowing	6 (29 283)	(40 733)	-
Decrease in payables to related parties	10 (53 694)	(63 723)	(40 445)
(Decrease) / Increase in other payables	9 754	2 755	2 595
Net cash flow from operating activities	-	-	38 937
Cash flows from financing activities			
Capital increase	-	-	-
(Decrease) / Increase in borrowing	-	-	(38 937)
Group contribution	-	-	-
Net cash flow from financing activities	-	-	(38 937)
Cash and cash equivalents at end of the period	10 -	-	-

The notes on pages 6 to 11 form part of these financial statements.

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Notes to the Condensed Interim Financial Statements

For the Quarter Ended 31 March 2016

1. Statement of compliance, basis of preparation, and significant accounting policies

General information

IBM Finans Norge AS (the 'company') is a limited company incorporated in Norway.

The company's immediate parent entity is International Business Machines AS, a company incorporated in Norway. The company's ultimate parent entity is International Business Machines Corporation ('IBM Corporation'), a company registered in the United States of America.

Basis of preparation

These condensed interim financial statements for the three months ended 31 March 2016 have been prepared on a historical cost basis and in accordance with IAS 34 Interim financial reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

In preparing these condensed interim financial statements, the required significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

The condensed interim financial statements have been prepared on a going concern basis.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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Notes to the Condensed Interim Financial Statements

For the Quarter Ended 31 March 2016

2. Finance income

	Three months ended		Year ended
	31 March 2016 NOK'000	31 March 2015 NOK'000	31 December 2015 NOK'000
Factoring fees (note 10)	981	2 097	6 404
Income from factoring	1 002	1 616	5 506
Interest on deposit with group undertakings (note 10)	12	20	57
	<u>1 995</u>	<u>3 733</u>	<u>11 967</u>

Interest on amounts owed by parent undertaking and by fellow subsidiary undertakings are charged at variable rates based on NIBOR.

3. Other income / (expense)

	Three months ended		Year ended
	31 March 2016 NOK'000	31 March 2015 NOK'000	31 December 2015 NOK'000
Release of impairment of factored receivables	-	84	80
Charges from parent undertaking (note 10)	(409)	(387)	(1 558)
Insurance expense	(93)	(50)	(337)
Audit services (statutory audit)	-	-	(31)
Other expenses	-	(4)	(53)
	<u>(502)</u>	<u>(357)</u>	<u>(1 899)</u>

4. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2016 is 25% (the estimated tax rate for the three months ended 31 March 2015 was 27 %).

5. Factored receivables

	31 March 2016 NOK'000	31 December 2015 NOK'000	31 March 2015 NOK'000
Current			
Factored receivables	163 813	235 593	206 214
Less: provision for impairment of receivables	(182)	(181)	(178)
	<u>163 631</u>	<u>235 412</u>	<u>206 036</u>

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6. Borrowings

	31 March 2016	31 December 2015	31 March 2015
	NOK'000	NOK'000	NOK'000
Borrowing from related companies (note 10)	<u>(58 133)</u>	<u>(87 417)</u>	<u>(85 620)</u>

Interest bearing amounts owed to fellow subsidiary undertakings are charged at variable rates based on NIBOR.

7. Contingencies

At 31 March 2016, the company had contingent liability in respect of bank guarantees in amount of NOK 30 000 000 (31 December 2015: NOK 30 000 000) with joint liability of IBM group companies in Norway.

8. Events after balance sheet date

There were no material events after balance sheet date.

9. Financial instruments

Financial risk management

The company is exposed to a variety of financial risks as a result of its operations that include the effects of changes in liquidity and interest rate risk, credit risk, market prices, and foreign exchange risk. The company has a strong risk management programme in place aligned to the programmes applied within the consolidated group of the company's ultimate parent company, International Business Machines Corporation.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at 31 December 2015. There have been no changes in the risk management department since year end or in any risk management policies.

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Notes to the Condensed Interim Financial Statements

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9. Financial instruments *(continued)*

Categories of financial instruments

	31 March 2016	31 December 2015	31 March 2015
	NOK'000	NOK'000	NOK'000
Financial assets			
<i>Loans and receivables</i>			
Cash and cash equivalents	-	-	-
Receivables from related parties	54	147	11
Factored receivables	163 631	235 412	206 036
	<u>163 685</u>	<u>235 559</u>	<u>206 047</u>
Financial liabilities			
<i>Amortised costs</i>			
Borrowing	58 133	87 417	85 621
Payables to related parties	9 473	63 167	39 888
Other payables	13 708	3 954	4 114
	<u>81 314</u>	<u>154 538</u>	<u>129 623</u>

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- Other financial assets and financial liabilities, excluding derivative financial instruments, are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Management consider that the carrying amount of financial assets and financial liabilities in the condensed interim financial statements approximate their fair values. There are no financial assets and/or liabilities that were already recognised at fair value through profit and loss.

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For the Quarter Ended 31 March 2016

10. Related party transactions

The following transactions were carried out with related parties, and were made on commercial terms and conditions:

Class of related party	Transaction type	Three months ended		Year ended
		31 March 2016	31 March 2015	31 December 2015
		NOK'000	NOK'000	NOK'000
Other related undertakings	Factoring income	518	955	3 404
	Interest paid	(141)	(288)	(860)
	Interest received	8	-	-
Immediate parent	Interest paid	-	-	-
	Interest received	4	20	57
	Other expenses	(409)	(387)	(1 558)
	Factoring income	463	1 142	2 999
	Group contribution distributed	-	-	-
	Capital contribution received	-	-	-

Details of the amounts receivable from, payable to and borrowing from related parties are set out below:

Class of related party	Transaction type	31 March 2016	31 December 2015	31 March 2015
		NOK'000	NOK'000	NOK'000
Other related undertakings	Cash equivalents	-	-	-
	Borrowing from related parties	(58 133)	(88 318)	(85 620)
	Payable to related parties	(9 511)	(51 484)	(23 473)
Immediate parent	Deposits held with related party	54	147	11
	Borrowing from related parties	-	901	-
	Payable to related parties	38	(11 683)	(16 416)

Interest on amounts owed by fellow subsidiary undertakings are charged at variable rates based on NIBOR.

The amounts outstanding on these balances are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior year for bad or doubtful debts in respect of the amounts owed by related parties.

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11. Capital coverage

Reporting to the Financial supervisory authority of Norway (no: Finanstilsynet) any asset class is weighted at 100%.

	31 March 2016 NOK'000	31 December 2015 NOK'000	31 March 2015 NOK'000
Booked value			
Cash and cash equivalents	-	-	-
Receivables from related parties	54	147	11
Factored receivables	163 631	235 412	206 036
	<u>163 685</u>	<u>235 559</u>	<u>206 047</u>
Responsible capital	79 615	78 602	74 141
Capital coverage in %	<u>48.6%</u>	<u>33.4%</u>	<u>36.0%</u>
Requirement for capital coverage is 8%	13 095	18 845	16 484
Coverage less requirement	<u>66 520</u>	<u>59 757</u>	<u>57 657</u>
Calculation of Responsible capital	31 March 2016 NOK'000	31 December 2016 NOK'000	31 March 2015 NOK'000
Equity	78 601	71 887	71 887
Profit for the period	1 014	6 715	2 254
	<u>79 615</u>	<u>78 602</u>	<u>74 141</u>