

IBM Finans Norge AS
Condensed Interim Financial Statements
30 September 2016

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Condensed Interim Financial Statements
For the Quarter Ended 30 June 2016

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IBM Finans Norge AS

Condensed Interim Statement of Comprehensive Income

For the Quarter Ended 30 September 2016

		Three months ended		Nine months ended		Year ended
		30	30	30	30	31
		September	September	September	September	December
		2016	2015	2016	2015	2015
		NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
	Notes			Unaudited	Audited	
Finance income	2	1 864	2 936	6 509	9 541	11 967
Finance cost		(225)	(220)	(511)	(756)	(863)
Net finance income		1 639	2 716	5 998	8 785	11 104
Other income and expense						
Other income / (expense)	3	(746)	(518)	(1 702)	(1 381)	(1 899)
Total other income and expense		(746)	(518)	(1 702)	(1 381)	(1 899)
Profit before income tax		893	2 198	4 296	7 404	9 205
Income tax expense	4	(223)	(594)	(1 076)	(1 999)	(2 490)
Profit for the period / Total comprehensive income		670	1 604	3 220	5 405	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 30 September 2016

		30	31	30
		September	December	September
		2016	2015	2015
		NOK'000	NOK'000	NOK'000
	Notes	Unaudited	Audited	Unaudited
Current assets				
Cash and cash equivalents	10	-	-	-
Receivables from related parties	10	547	147	11
Factored receivables	5	244 846	235 412	165 392
		245 393	235 559	165 403
Non-current assets				
Deferred tax asset		0	45	37
		0	45	37
Total assets		245 393	235 604	165 439
Current liabilities				
Borrowing	6	135 677	87 417	58 203
Payables to related parties	10	7 244	63 167	24 849
Tax payables		3 439	2 464	2 492
Other liabilities		17 157	3 954	2 604
		163 517	157 002	88 148
Non-current liabilities				
Deferred tax liability		54	0	0
		54	0	0
Total liabilities		163 571	157 002	88 148
Net assets		81 822	78 602	77 291
Issued capital and reserves				
Share capital		45 000	45 000	45 000
Retained profits		36 822	33 602	32 291
Total equity		81 822	78 602	77 291

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 30 September 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	-	-	3 220	3 220
Total contribution by and distribution to owners of the company	-	-	-	-
At 30 September 2016 (unaudited)	<u>45 000</u>	<u>14 880</u>	<u>21 942</u>	<u>81 822</u>
At 1 January 2015	45 000	14 880	12 007	71 887
Profit for the period / Total comprehensive income	-	-	5 405	5 405
Total contribution by and distribution to owners of the company	-	-	-	-
At 30 September 2015 (unaudited)	<u>45 000</u>	<u>14 880</u>	<u>17 412</u>	<u>77 291</u>
At 1 January 2015	45 000	14 880	12 007	71 887
Profit for the period / Total comprehensive income	-	-	6 715	6 715
Total contribution by and distribution to owners of the company	-	-	-	-
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 30 September 2016

		Nine months ended		Year ended
		30 September 2016 NOK'000 Unaudited	30 September 2015 NOK'000 Unaudited	31 December 2015 NOK'000 Audited
Profit for the period		3 221	5 404	6 715
Adjustments for				
Income tax		1 074	1 999	2 490
Changes in operating assets and liabilities				
Income tax paid		0	(1 984)	(2 511)
Decrease / (Increase) in receivables from related parties	10	(400)	3	(134)
Decrease / (Increase) in factored receivables	5	(9 435)	140 246	70 227
(Decrease) / Increase in payables to related parties	10	(55 924)	(78 762)	(40 445)
(Decrease) / Increase in other payables		13 203	1 245	2 595
Net cash flow from operating activities		(48 261)	68 151	38 937
Cash flow from financing activities				
Capital increase		-	-	-
(Decrease) / Increase in borrowing	6	48 261	(68 151)	(38 937)
Group contribution		-	-	-
Net cash flow from financing activities		48 261	(68 151)	(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 30 September 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 quarter ended 30 June 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 30 September 2016

2. Finance income

	Three months ended		Nine months ended		Year ended
	30 September 2016	30 September 2015	30 September 2016	30 September 2015	31 December 2015
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Factoring fees (note 10)	945	1 339	2 852	4 802	6 404
Income from factoring	916	1 577	3 636	4 687	5 506
Interest on deposit with group undertakings (note 10)	3	20	21	52	57
	1 864	2 936	6 509	9 541	11 967

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

3. Other income / (expense)

	Three months ended		Nine months ended		Year ended
	30 September 2016	30 September 2015	30 September 2016	30 September 2015	31 December 2015
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
(Impairment)/Release of impairment of factored receivables	0	5	0	126	80
Charges from parent undertaking (note 10)	(409)	(387)	(1 228)	(1 160)	(1 558)
Insurance expense	(336)	(91)	(428)	(265)	(337)
Audit services (statutory audit)	-	-	(31)	(31)	(31)
Other expenses	(1)	(45)	(15)	(51)	(53)
	(746)	(518)	(1 702)	(1 381)	(1 899)

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 six months ended 30 September 2015 was 27%).

5. Factored receivables

	30 September 2016	31 December 2015	30 September 2015
	NOK'000	NOK'000	NOK'000
Current Factored receivables	245 028	235 593	165 527
Less: provision for impairment of receivables	(182)	(181)	(135)
	244 846	235 412	165 392

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6. Borrowings

	30	31	30
	September	December	September
	2016	2015	2015
	NOK'000	NOK'000	NOK'000
Borrowing from related companies (note 10)	<u>135 677</u>	<u>87 417</u>	<u>58 203</u>

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

7. Contingencies

At 30 September 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 other 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

	30	31	30
	September	December	September
	2016	2015	2015
	NOK'000	NOK'000	NOK'000
Financial assets			
<i>Loans and receivables</i>			
Cash and cash equivalents	-	-	-
Receivables from related parties	547	147	11
Factored receivables	244 846	235 412	165 392
	<u>245 393</u>	<u>235 559</u>	<u>165 403</u>
Financial liabilities			
<i>Amortised costs</i>			
Borrowing	135 677	87 417	58 203
Payables to related parties	7 244	63 167	24 849
Other liabilities	17 157	3 954	2 604
	<u>160 078</u>	<u>154 538</u>	<u>85 656</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 30 September 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		Nine months ended		Year ended
	30 September 2016	30 September 2015	30 September 2016	30 September 2015	31 December 2015
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
<i>Other related undertakings</i>					
Factoring income (fee)	546	947	1 559	2 590	3 404
Interest paid	(224)	(220)	(511)	(756)	(860)
Interest received	-	-	11	-	-
<i>Immediate parent</i>					
Interest paid	-	-	-	-	-
Interest received	3	20	10	52	57
Other expenses	(409)	(387)	(1 228)	(1 160)	(1 558)
Factoring income	399	392	1 293	2 212	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	30	31	30
		September 2016	December 2015	September 2015
		NOK'000	NOK'000	NOK'000
Other related undertakings	Cash equivalents	-	-	-
	Borrowing from related parties	135 677	87 417	57 901
	Payable to related parties	6 199	51 484	19 736
Immediate parent	Deposits held with related party	547	147	11
	Borrowing from related party	-	-	303
	Payable to related parties	1 046	11 683	5 113

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%.

	30	31	30
	September	December	September
	2016	2015	2015
Booked value	NOK'000	NOK'000	NOK'000
Cash and cash equivalents	-	-	-
Receivables from related parties	547	147	11
Factored receivables	244 846	235 412	165 392
	<u>245 393</u>	<u>235 559</u>	<u>165 403</u>
Responsible capital	81 822	78 602	77 291
Capital coverage in %	<u>33.3%</u>	<u>33.4%</u>	<u>46.7%</u>
Requirement for capital coverage is 8%	19 631	18 845	13 232
Coverage less requirement	<u>62 191</u>	<u>59 757</u>	<u>64 059</u>
	30	31	30
Calculation of Responsible capital	September	December	September
	2016	2015	2015
	NOK'000	NOK'000	NOK'000
Equity	78 601	71 887	71 887
Profit for the period	3 221	6 715	5 404
	<u>81 822</u>	<u>78 602</u>	<u>77 291</u>