

IBM Finans Norge AS
Condensed Interim Financial Statements
30 September 2014

IBM Finans Norge AS

Condensed Interim Financial Statements

For the Quarter Ended 30 September 2014

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IBM Finans Norge AS

Condensed Interim Statement of Comprehensive Income

For the Quarter Ended 30 September 2014

	Notes	Three months ended		Nine months ended		Year ended
		30 September 2014	30 September 2013	30 September 2014	30 September 2013	31 December 2013
		NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Finance income	2	2 484	1 897	7 390	6 031	9 031
Finance cost		(147)	(115)	(231)	(221)	(224)
Net finance income		2 337	1 782	7 159	5 810	8 807
Other income and expense						
Other income / (expense)	3	(444)	(357)	(743)	(660)	(1 417)
Total other income and expense		(444)	(357)	(743)	(660)	(1 417)
Profit before income tax		1 893	1 425	6 416	5 150	7 390
Income tax expense	4	(511)	(399)	(1732)	(1 442)	(2 075)
Profit for the period / Total comprehensive income		1 382	1 026	4 684	3 708	5 315

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 2014

		30	31	30
		September	December	September
		2014	2013	2013
		NOK'000	NOK'000	NOK'000
	Notes	Unaudited	Audited	Unaudited
Current assets				
Cash and cash equivalents	10	-	-	8 802
Receivables from related parties	10	126	6 622	4 573
Factored receivables	5	145 090	199 304	97 151
Other receivables		-	-	-
		<u>145 216</u>	<u>205 926</u>	<u>110 526</u>
Non-current assets				
Deferred tax asset		28	170	42
		<u>28</u>	<u>170</u>	<u>42</u>
Total assets		145 244	206 096	110 568
Current liabilities				
Borrowing	6	39 630	22 050	-
Payables to related parties	10	33 437	116 417	44 125
Tax payables		1 591	2 058	1 297
Other liabilities		1 072	741	1 921
		<u>75 730</u>	<u>141 266</u>	<u>47 343</u>
Total liabilities		75 730	141 266	47 343
Net assets		69 514	64 830	63 225
Issued capital and reserves				
Share capital		45 000	45 000	45 000
Retained profits		24 514	19 830	18 225
Total equity		69 514	64 830	63 225

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 2014

	Issued capital	Other paid-in capital	Retained earnings	Total equity
	NOK'000	NOK'000	NOK'000	NOK'000
At 1 January 2014	45 000	14 880	4 950	64 830
Profit for the period / Total comprehensive income	-	-	4 684	4 684
Total contribution by and distribution to owners of the company	-	-	-	-
At 30 September 2014 (unaudited)	<u>45 000</u>	<u>14 880</u>	<u>9 634</u>	<u>69 514</u>
At 1 January 2013	45 000	7 133	5 214	57 347
Profit for the period / Total comprehensive income	-	-	3 708	3 708
Total contribution by and distribution to owners of the company	-	7 747	(5 577)	2 170
At 30 September 2013 (unaudited)	<u>45 000</u>	<u>14 880</u>	<u>3 345</u>	<u>63 225</u>
At 1 January 2013	45 000	7 133	5 214	57 347
Profit for the period / Total comprehensive income	-	-	5 314	5 314
Total contribution by and distribution to owners of the company	-	7 747	(5 578)	2 169
At 31 December 2013 (audited)	<u>45 000</u>	<u>14 880</u>	<u>4 950</u>	<u>64 830</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 2014

	Nine months ended		Year ended
	30 September 2014	30 September 2013	31 December 2013
	NOK'000	NOK'000	NOK'000
	Unaudited		Audited
Profit for the period	4 684	3 708	5 314
Adjustments for			
Income tax	1 732	1 442	2 075
Changes in operating assets and liabilities			
Income tax paid	(2 057)	-	-
Decrease / (Increase) in receivables from related parties	10 6 496	(154)	(2 203)
Decrease in factored receivables	5 54 214	110 752	8 597
Increase in other receivables	-	-	-
(Decrease) / Increase in borrowing	6 17 580	(28 843)	
Decrease in payables to related parties	10 (82 980)	(80 010)	(7 718)
(Decrease) / Increase in other payables	331	1 907	728
Net cash flow from operating activities	-	8 802	-
Cash flow from financing activities			
Capital increase	-	7 747	7 747
Group contribution	-	(7 747)	(7 747)
Net cash flow from financing activities	-	-	-
Net (decrease) / increase in cash and cash equivalents	-	8 802	-
Cash and cash equivalents at beginning of the period	-	-	-
Cash and cash equivalents at end of the period	10 -	8 802	-

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 2014

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 September 2014 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 2013, 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 2013, 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 2014

2. Finance income

	Three months ended		Nine months ended		Year ended
	30 September 2014	30 September 2013	30 September 2014	30 September 2013	31 December 2013
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Factoring fees (note 10)	1 332	922	4 569	3 641	6 052
Income from factoring	1 136	927	2 660	2 231	2 766
Interest on deposit with group undertakings (note 10)	16	48	161	159	213
Other interest income	-	-	-	-	-
	2 484	1 897	7 390	6 031	9 031

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		Nine months ended		Year ended
	30 September 2014	30 September 2013	30 September 2014	30 September 2013	31 December 2013
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
(Impairment)/Release of impairment of factored receivables	(40)	125	523	519	41
Charges from parent undertaking (note 10)	(345)	(445)	(1 035)	(1 049)	(1 292)
Insurance expense	(46)	(24)	(131)	(31)	(65)
Audit services (statutory audit)	-	-	(81)	(81)	(81)
Other expenses	(13)	(13)	(19)	(18)	(20)
	(444)	(357)	(743)	(660)	(1 417)

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 2014 is 27% (the estimated tax rate for the nine months ended 30 September 2013 was 28%).

5. Factored receivables

	30 September 2014	31 December 2013	30 September 2013
	NOK'000	NOK'000	NOK'000
Current			
Factored receivables	145 195	199 931	97 301
Less: provision for impairment of receivables	(105)	(627)	(150)
	145 090	199 304	97 151

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6. Borrowings

	30 September 2014 NOK'000	31 December 2013 NOK'000	30 September 2013 NOK'000
Borrowing from related companies (note 10)	<u>39 630</u>	<u>22 050</u>	<u>-</u>

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

7. Contingencies

At 30 September 2014, the company had contingent liability in respect of bank guarantees in amount of NOK 30 000 000 (31 December 2013: 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 2013. There have been no changes in the risk management department since year end or in any risk management policies.

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9. Financial instruments (continued)

Categories of financial instruments

	30 September 2014 NOK'000	31 December 2013 NOK'000	30 September 2013 NOK'000
Financial assets			
<i>Loans and receivables</i>			
Cash and cash equivalents	-	-	8 802
Receivables from related parties	126	6 622	4 573
Factored receivables	145 090	199 304	97 151
	<u>145 216</u>	<u>205 926</u>	<u>110 526</u>
Financial liabilities			
<i>Amortised costs</i>			
Borrowing	39 630	22 050	-
Payables to related parties	33 436	116 417	44 125
Other liabilities	1 073	741	1 921
	<u>74 139</u>	<u>139 208</u>	<u>46 046</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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Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2014

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 2014	30 September 2013	30 September 2014	30 September 2013	31 December 2013
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
<i>Other related undertakings</i>					
Factoring income (fee)	491	509	2 303	1 709	3 023
Interest paid	(147)	(115)	(231)	(215)	(218)
Interest received	-	23	113	91	129
<i>Immediate parent</i>					
Interest paid	-	-	-	(6)	(6)
Interest received	16	25	48	68	84
Other expenses	(345)	(445)	(1 035)	(1 049)	(1 292)
Factoring income	841	413	2 266	1 932	3 029
Group contribution distributed	-	-	-	(7 747)	(7 747)
Capital contribution received	-	-	-	7 747	7 747

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

Class of related party	Transaction type	30 September 2014	31 December 2013	30 September 2013
		NOK'000	NOK'000	NOK'000
Other related undertakings	Cash equivalents	-	-	8 802
	Borrowing from related parties	(39 630)	-	-
	Payable to related parties	(19 693)	(82 892)	(30 463)
Immediate parent	Deposits held with related party	126	6 622	4 573
	Receivable from related party	-	-	-
	Payable to related parties	(13 744)	(33 525)	(13 662)

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
	2014	2013	2013
	NOK'000	NOK'000	NOK'000
Booked value			
Cash and cash equivalents	-	-	8 802
Receivables from related parties	126	6 622	4 573
Factored receivables	145 091	199 305	97 151
	<u>145 217</u>	<u>205 927</u>	<u>110 526</u>
Responsible capital	69 514	64 830	63 224
Capital coverage in %	<u>47.9%</u>	<u>31.5%</u>	<u>57.2%</u>
Requirement for capital coverage is 8%	11 617	16 474	8 842
Coverage less requirement	<u>57 897</u>	<u>48 356</u>	<u>54 382</u>
Calculation of Responsible capital	30	31	30
	September	December	September
	2014	2013	2013
	NOK'000	NOK'000	NOK'000
Equity	64 830	59 516	59 517
Profit for the period	4 684	5 314	3 708
	<u>69 514</u>	<u>64 830</u>	<u>63 225</u>