



## Annual Report 2017

[www.forfaiting.com](http://www.forfaiting.com)

London Forfaiting Company Limited  
11 Ironmonger Lane  
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Registered Number 1733470

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## Background to our Business

### London Forfaiting Company

LFC was established in 1984 and we specialise in the provision of forfaiting and other trade related finance products. Our product range continues to broaden and evolve but these products remain the nucleus of what we do today.

LFC's success is built upon our close working relationships with clients, understanding their trade financing requirements and our proven reputation for providing fast, efficient, tailor-made solutions focusing primarily on emerging market counterparty and country risks.

We endeavour to provide excellence in whatever we do; constantly striving to anticipate the rapidly changing needs of the market with the goal of maintaining our position as a leader in the global forfaiting market.

Our high quality of service is widely acclaimed and LFC regularly receives industry awards for the Best Forfaiting House. We believe that such awards from our customers and peer group alike are an important acknowledgement of the quality of the service we provide to our clients.

The extensive experience of our team of forfaiting professionals, with backgrounds in both banking and industry sectors, coupled with the LFC global network of offices, assures our clients of the highest level of service and ability to structure financing solutions.

### What is Forfaiting?

Our core product is forfaiting which is a simple method of financing exports by discounting the receivables generated from an export contract on a "Without Recourse" basis. Forfaiting has however evolved into a much broader financing technique used to finance virtually any form of assignable and/or transferrable negotiable instrument. LFC also provides finance through loan facilities. LFC finances a wide range of imported and exported goods and services including, Commodities, Technology, Consumer & Capital Equipment and even Turn Key Projects. Credit periods range from 60 days up to 10 years.

LFC's counterparties include private and publicly listed companies, banks and government authorities.

### Traditional Forfaiting

Traditional forfaiting transactions are often evidenced by documentation bearing the unconditional, irrevocable and freely transferable guarantee or aval of an acceptable bank in the obligor/borrower's country. However, LFC can also consider corporate risk or government debt obligations, without additional bank security.

Typical characteristics of a traditional forfaiting transaction are:

- Amounts between USD100,000 and USD 50,000,000, although larger transactions are also considered
- All major currencies
- 100% financing "without recourse" to the seller of the obligation.
- Fixed or Floating rate
- Payment may be guaranteed by the importer's Bank or a Sovereign entity

### Benefits of Traditional Forfaiting

Using forfaiting, an exporter has the ability to offer extended payment terms which will improve the chances of them winning an export contract.

Most exporters prefer to receive cash shortly after shipment, without exposing themselves to the risks and costs associated with providing financing to their overseas clients. Forfaiting allows the exporter to remove the non-payment risk of concluding an export contract encompassing extended payment terms.

By using forfaiting techniques, LFC assists clients selling cross-border to mitigate a range of risks including commercial, political, transfer, interest and exchange risks.

### Forfaiting Assets

LFC maintains a portfolio of Forfaiting Assets, evidenced by a variety of debt instruments including Bills of Exchange, Promissory Notes, Letters of Credit and trade or project related Syndicated and Bi-lateral Loan (Financing) Agreements.

## Strategic Report

### Principle activities

London Forfaiting Company Limited ("LFC") and its subsidiaries (collectively known as "Group") provides international trade and other financial services with particular focus on forfaiting and loans. LFC's activities include the purchasing and trading of bills of exchange, promissory notes, loans, deferred payment letters of credit and the provision of other financial facilities to companies and banks. LFC operates in a global market and has an international network of offices supporting its principle activity. The background to these business activities is given on page 1.

### Results & Performance

LFC reported a profit before tax of USD 8,482,868 for 2017 (2016: USD 5,793,605), which represents a 46% increase from the previous year and a record year since FIMBank's acquisition of LFC in 2003. Profitability increased due to higher trading income, which offset slightly higher administrative expenses and an increase in net financing expenses. After tax, LFC's profit for the year attributable to equity holders of the company was USD 8,333,199 (2016: USD 6,481,331).

The economic environment for the year under review in which LFC operated, was characterised by a combination of excess market liquidity in Europe and a slowdown in global commodity exports. Economies in the emerging market environment remained challenging, with payment delays experienced due to a combination of foreign exchange shortages mainly in Africa and credit deterioration in Asia. However, the recovery in oil prices positively impacted the petro-dominated economies in Russia, Africa and the Middle East. This volatility also created opportunities, which LFC capitalised on, as detailed below.

### Turnover and trading income

LFC's turnover (defined as the total value of forfaiting assets sold and matured) increased by 2.7% from USD 594,146,860 in 2016 to USD 610,208,822 in 2017. Whilst the forfaiting assets held for trading decreased 33% to USD 252,509,144 (2016: USD 379,397,964), Forfaiting yield increased by 1.6% to USD 14,146,922 from USD 13,928,036 in 2016. This is due to a combination of increased rates and that the average forfaiting assets held for trading at USD 315,953,554 was only 14% lower than in 2016 at USD 367,230,981. Forfaiting yield was not concentrated to one particular region. Europe accounted for 32%, whilst Africa and the Middle East accounted for 31% and the Americas 24% of the total, highlighting the diverse regional risk of the forfaiting assets held for trading.

The Downward Fair Valuation of the forfaiting assets held for trading and derivative financial instruments were significantly lower in 2017 at USD 50,022 in 2017 compared to USD 1,742,186 in 2016. Although there were downward fair valuation movements in Asia from legacy assets and in Europe from the continuing political instability, this was offset by positive movements in Africa and the Middle East, following a recovery of previously Watch-Listed assets.

Additionally, Net fees and commissions income increased from USD 5,250,906 in 2016 to USD 7,133,037 in 2017, representing a 36% increase. This was largely due to the higher turnover experienced this year. Similar to the Forfaiting yield, Net fees and commissions income was not concentrated on one particular region. The Americas accounted for 39% of the total value whilst Europe, Africa and the Middle East and Asia accounted for 27%, 19% and 14% respectively.

### Net financing expense

LFC's parent, FIMBank plc., continued to provide funding, through the bank overdraft to support the forfaiting portfolio held for trading. However, the bank overdraft decreased by 78% from USD 217,281,201, in 2016 to USD 48,875,237 in 2017, due to LFC's increased efforts to expand its funding profile. This resulted in a 54% increase in external funding, which grew from USD 86,725,869 in 2016 to USD 133,650,296 in 2017.

### Administrative expenses

LFC continually monitors its administrative expenses, which were marginally higher for the year at USD 6,399,039 compared to USD 5,615,095 in 2016.

## **Strategic Report (continued)**

### **Deferred Tax Asset**

In view of the Company's continued improving profitability, the Directors have again reviewed the value of the deferred tax asset against future income projections. Following this review, the Directors consider it appropriate and reasonable keep the deferred tax asset at USD 7,259,406 as at 31 December 2017.

### **Directors and Staff**

We take this opportunity to thank our management and staff for their endeavours through the year and their contribution toward these excellent results. We also thank our shareholders for their continued support and commitment to LFC's business activities.

During 2017, LFC was once again acknowledged as the leading forfaiting company, being awarded the "Best Non-Bank Trade Services Provider" award from Trade and Forfaiting Review magazine.

### **Financial risk management**

The financial risk management objectives and policies and exposures to various risks, including market risk, liquidity risk, credit risk and operational risk (which include compliance and reputational risk) are covered in note 18 of the financial statements.

### **Key Performance Indicators**

Throughout the year, the Directors monitor the company's Key Performance Indicators (KPI's). Financial KPI's including those relating to Turnover (defined as total value of forfaiting assets held for trading sold and matured during the year), Trading Income, Portfolio of Forfaiting Assets Held for Trading and Funding are addressed above.

An essential element in maintaining LFC's growth and market leading position is the retention of key personell and the provision of appropriate training. Consequently, staff turnover is also considered to be a key Non-Financial KPI and is monitored closely by Directors. During 2017, LFC had seven joiners and six leavers from a total staff count of 38 (2016: seven joiners and eight leavers from a total staff count of 37).

### **Risks, uncertainties and Outlook**

Key risks to the business in the coming year include the possible effect on business volumes resulting from the economic uncertainty caused by Brexit, the fiscal and monetary policies from the new US president and the volatility in the price of commodities, coupled with credit and interest rate risk.

LFC's appetite for diverse risks across different business sectors and geographies, coupled with our global footprint, enables LFC to source remunerative transactions, notwithstanding difficult market conditions. The forfaiting portfolio held for trading is robust and its risks continually monitored. LFC has considerable experience in managing exposures and in the close monitoring of transactions, to ensure performance as well as the use of various techniques to mitigate risks. Where LFC's business leads to risks relating to interest rate movements, we use established hedging techniques and derivatives to minimise this exposure. Funding is secured from our own capital, our ability to attract external funding, and the continued ongoing support and financing we receive from our immediate parent, related parties and our ultimate owners, Kuwait Projects Company Holding K.S.C.P. (KIPCO).

## Strategic Report (continued)

### Going concern

Despite the risk and uncertainty detailed above over the next 12 months the Directors are pleased to confirm that the Company is a going concern and that it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due.

### Viability statement

The Directors have assessed the viability of the Group over the five years to December 2023. This assessment has been made taking account of the current position of LFC, corporate planning process and LFC's principle risks, as detailed in the Strategic Report. The strategy provides long term direction and is reviewed on, at least, an annual basis, including five year forecasts showing expected financial impact. The strategy is further tested in a series of robust downside financial scenarios as part of the annual review.

A risk assessment is carried out to identify the principal risks that may adversely impact LFC. These include operational, business, liquidity, market and credit risk. This approach ensures a robust assessment of the principal risks, and mitigating actions, for LFC.

The Directors have therefore concluded, based on the extent of the corporate planning process and strong financial position, that there is a reasonable expectation that LFC has adequate resources and will continue to operate and meet its liabilities as they fall due over the period of their assessment and for the foreseeable future.



John C. Grech  
Chairman  
9 February 2018



Simon Lay  
Chief Executive Officer

## **Report of the Directors**

The Directors are pleased to present their report and the audited Group and Company financial statements for the year ended 31 December 2017.

### **Results and dividends**

LFC's profit after tax for the year 2017 was USD 8,333,199 (2016: USD 6,481,331). The Directors approved and paid dividends of USD 4,448,401 during the year (2016: nil).

### **Key Performance Indicators**

The company's Key Performance Indicators (KPI's) are detailed on page 3.

### **Directors**

The directors who held office during the year were as follows:

Chairman/ Director – John Carmel Grech

Director – Mohamed Fekih Ahmed

Director – Majed Essa Al-Ajeel

Director – Robert Frost

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the company. According to the register of directors' interests, no right to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

The Directors benefited from qualifying third party indemnity provisions during the year.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### **Approval**

By order of the Board.



**John C. Grech**  
**Director**

9 February 2018  
11 Ironmonger Lane  
London EC2V 8EY



## **Statement of directors' responsibilities in respect of the Strategic Report and the Directors' Report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



## **Independent Auditor's Report to the Members of London Forfailing Company Limited**

### **Opinion**

We have audited the financial statements of London Forfailing Company Limited ("the company") for the year ended 31 December 2017 which comprise the Group and parent Company and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Independent Auditor's Report to the Members of London Forfailing Company Limited (continued)**

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Sarah Ward (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
9 February 2018

## Income statements

For the year ended 31 December 2017

	Note	Group 2017 USD	2016 USD	Company 2017 USD	2016 USD
<i>Memorandum item:</i>					
<b>Total value of forfaiting assets held for trading sold &amp; matured during the year</b>		<b>610,208,822</b>	594,146,860	<b>610,208,822</b>	594,146,860
Trading income	4	21,229,937	17,436,756	19,998,668	16,453,319
Administrative expenses	5	(6,399,039)	(5,615,095)	(5,467,318)	(4,834,991)
Other operating income	6	-	-	146,118	90,730
<b>Operating profit</b>		<b>14,830,898</b>	11,821,661	<b>14,677,468</b>	11,709,058
Finance income	7	10,121	631	173,296	113,679
Finance costs	7	(6,358,151)	(6,028,687)	(6,365,513)	(6,031,668)
<b>Net finance costs</b>	7	<b>(6,348,030)</b>	(6,028,056)	<b>(6,192,217)</b>	(5,917,989)
<b>Profit before tax</b>		<b>8,482,868</b>	5,793,605	<b>8,485,251</b>	5,791,069
Income tax (expense)/ credit	8	(149,669)	687,726	(149,669)	687,726
<b>Profit for the year attributable to equity holders of the company</b>		<b>8,333,199</b>	6,481,331	<b>8,335,582</b>	6,478,795

All of the profits for the current year and prior year were derived from continuing activities.

The notes on pages 14 to 42 are an integral part of these financial statements.

## Statements of comprehensive income

For the year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
<b>Profit for the year</b>	8,333,199	6,481,331	8,335,582	6,478,795
<b>Other comprehensive income for the year, net of tax</b>				
Foreign currency translation differences for foreign operations	-	-	-	-
<b>Total comprehensive income for the year attributable to equity holders of the company</b>	8,333,199	6,481,331	8,335,582	6,478,795

All of the profits for the current year and prior year were derived from continuing activities.

The notes on pages 14 to 42 are an integral part of these financial statements.

## Statements of financial position

As at 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		USD	USD	USD	USD
<b>Assets</b>					
Plant and equipment	9	99,450	141,724	92,666	113,064
Investment in subsidiaries	10	-	-	40,894	33,699
Deferred tax assets	11	7,259,406	7,259,406	7,259,406	7,259,406
<b>Non-current assets</b>		<b>7,358,856</b>	<b>7,401,130</b>	<b>7,392,966</b>	<b>7,406,169</b>
Forfaiting assets – held for trading	18	252,509,144	379,397,964	252,509,144	379,397,964
Trade and other receivables	12	4,400,074	1,345,979	4,333,325	1,290,686
Cash and cash equivalents	13	6,367,849	184,625	6,326,406	154,850
<b>Current assets</b>		<b>263,277,067</b>	<b>380,928,568</b>	<b>263,168,875</b>	<b>380,843,500</b>
<b>Total assets</b>		<b>270,635,923</b>	<b>388,329,698</b>	<b>270,561,841</b>	<b>388,249,669</b>
<b>Equity</b>					
Share capital	15	40,000,000	40,000,000	40,000,000	40,000,000
Retained earnings		38,146,421	34,261,623	38,138,793	34,251,612
Total equity attributable to owners of the Company		78,146,421	74,261,623	78,138,793	74,251,612
<b>Liabilities</b>					
Bank overdraft	13	48,875,237	217,281,201	48,875,237	217,281,201
Loans and borrowings	14	133,650,296	86,725,869	133,650,296	86,725,869
Trade and other payables	16	9,963,969	10,061,005	9,897,515	9,990,987
<b>Total liabilities</b>		<b>192,489,502</b>	<b>314,068,075</b>	<b>192,423,048</b>	<b>313,998,057</b>
<b>Total equity and liabilities</b>		<b>270,635,923</b>	<b>388,329,698</b>	<b>270,561,841</b>	<b>388,249,669</b>

The notes on pages 14 to 42 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 9 February 2018 and were signed on its behalf by:

  
**John C. Grech**  
Director

Registered Number 1733470

## Statements of changes in equity

<b>Group</b>	<b>Share Capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Balance at 1 January 2016	40,000,000	27,780,292	67,780,292
Total comprehensive income for the year	-	6,481,331	6,481,331
Transactions with owners of the company	-	-	-
Total contributions and distributions with owners of the company	-	-	-
Balance at 31 December 2016	40,000,000	34,261,623	74,261,623
<b>Balance at 1 January 2017</b>	<b>40,000,000</b>	<b>34,261,623</b>	<b>74,261,623</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>8,333,199</b>	<b>8,333,199</b>
<b>Transactions with owners of the company</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total contributions and distributions with owners of the company</b>	<b>-</b>	<b>(4,448,401)</b>	<b>(4,448,401)</b>
<b>Balance at 31 December 2017</b>	<b>40,000,000</b>	<b>38,146,421</b>	<b>78,146,421</b>

  

<b>Company</b>	<b>Share Capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Balance at 1 January 2016	40,000,000	27,772,817	67,772,817
Total comprehensive income for the year	-	6,478,795	6,478,795
Transactions with owners of the company	-	-	-
Total contributions and distributions with owners of the company	-	-	-
Balance at 31 December 2016	40,000,000	34,251,612	74,251,612
<b>Balance at 1 January 2017</b>	<b>40,000,000</b>	<b>34,251,612</b>	<b>74,251,612</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>8,335,582</b>	<b>8,335,582</b>
<b>Transactions with owners of the company</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total contributions and distributions with owners of the company</b>	<b>-</b>	<b>(4,448,401)</b>	<b>(4,448,401)</b>
<b>Balance at 31 December 2017</b>	<b>40,000,000</b>	<b>38,138,793</b>	<b>78,138,793</b>

The notes on pages 14 to 42 are an integral part of these financial statements.



## Statements of cash flows

For the year ended 31 December 2017

	Note	Group 2017 USD	2016 USD	Company 2017 USD	2016 USD
<b>Cash flows from operating activities</b>					
Proceeds from sale /maturity of forfaiting assets held for trading		624,487,174	608,191,331	624,487,174	608,191,331
Purchase of forfaiting assets held for trading		(483,501,455)	(620,339,449)	(483,501,455)	(620,339,449)
Interest and commissions receipts		9,190,390	7,966,840	9,353,565	8,079,888
Interest and commissions payments		(8,285,897)	(8,671,923)	(9,517,168)	(9,655,360)
Payment to employees and suppliers		(5,901,923)	(5,493,630)	(4,987,679)	(4,736,076)
Cash (outflow)/ inflow before changes in operating assets/liabilities		135,988,289	(18,346,831)	135,834,437	(18,459,666)
(Increase) / decrease in operating assets:					
Amounts due from parent		86,637	(8,393)	86,637	(8,392)
Prepayments, accrued income and other debtors		(3,140,732)	(276,998)	(3,129,274)	(269,346)
Increase / (decrease) in operating liabilities:					
Amounts due to parent		142,502	(60,713)	142,502	(60,713)
Other liabilities		(793,669)	72,949	(802,339)	72,949
Net cash from/ (used in) operating activities before income tax		(3,705,262)	(273,155)	(3,702,474)	(265,502)
Tax paid		(149,669)	-	(149,669)	-
<b>Net cash used in operating activities</b>		132,133,358	(18,619,986)	131,982,294	(18,725,168)
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(31,442)	(11,622)	(30,969)	(9,682)
Proceeds from disposal of plant and equipment		11,245	2,349	11,245	2,349
Repayment from subsidiaries		-	-	138,923	118,061
<b>Net cash from investing activities</b>		(20,197)	(9,273)	119,199	110,728
<b>Cash flows from financing activities</b>					
Proceeds from the issue of promissory notes		76,143,581	31,081,579	76,143,581	31,081,579
Repayment of issued promissory notes		(29,715,795)	(48,502,465)	(29,715,795)	(48,502,465)
Proceeds from money market loan agreements entered		13,996,642	-	13,996,642	-
Repayment of money market loan agreements		-	(2,185,553)	-	(2,185,553)
Proceeds from repo financing agreements entered		-	47,500,000	-	47,500,000
Repayment of repo financing agreements		(13,500,000)	(18,000,000)	(13,500,000)	(18,000,000)
Repayment of bank overdraft		(168,405,964)	8,754,924	(168,405,964)	8,754,924
Dividends paid		(4,448,401)	-	(4,448,401)	-
<b>Net cash from financing activities</b>		(125,929,937)	18,648,485	(125,929,937)	18,648,485
Net (increase) in cash and cash equivalents		6,183,224	19,226	6,171,556	34,045
Cash and cash equivalents at 1 January		184,625	165,399	154,850	120,805
<b>Cash and cash equivalents at 31 December</b>	13	6,367,849	184,625	6,326,406	154,850

The notes on pages 14 to 41 are an integral part of these financial statements.



## Notes to the financial statements

### 1. Reporting entity

London Forfaiting Company Limited (the "Company") is a company domiciled in the United Kingdom. The address of the Company's registered office is 11 Ironmonger Lane, London EC2V 8EY. The financial statements of the Company for the year ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in forfaiting, a further background to our business is shown on page 1.

### 2. Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 4.

The Group is expected to continue to generate positive cash flows and profits on its own account for the foreseeable future. In view of the current market conditions, the directors have considered existing and future funding lines, as well as the tradability of the forfaiting assets held for trading and are satisfied about the Group and Company's ability to meet obligations as they fall due. The directors confirm the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. Both the company financial statements and the Group financial statements have been prepared on a going concern basis.

#### (a) Statement of compliance

Both the parent company financial statements and the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The financial statements were authorised for issue by the Board of Directors on 9 February 2018.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items in the statements of financial position:

forfaiting assets held for trading are measured at fair value; and;  
derivative financial instruments are measured at fair value

#### (c) Functional and presentation currency

These financial statements are presented in United States Dollars (USD), which is the Company's functional currency.

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 11 and 18.

## Notes to the financial statements (continued)

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### (ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the financial statements.

#### (b) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

##### (ii) Foreign operations

The assets and liabilities of foreign operations are translated to US Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the US Dollar at the exchange rates at the dates of the transactions.

#### (c) Forfaiting assets held for trading

Forfaiting assets held for trading comprising bills of exchange, promissory notes and transferable trade related loans are financial instruments held for trading and are stated at fair value with any resulting gain or loss recognised in the income statement. Fair value is calculated using the credit worthiness and interest rates on each asset at the reporting date and determining whether or not it is higher or lower than the book value, with the resulting gain or loss taken to the income statement.

#### (d) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational activities, however, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately to the income statements. The fair value of interest rate future contracts is the estimated amount that the Group would receive or pay to terminate the contract at the reporting date, taking into account current interest rates.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (e) Plant and equipment

##### (i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant or equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised as other operating expenses in profit or loss.

##### (ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in the income statement as incurred.

##### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

○ leasehold improvement	5 years
○ fixtures, fittings and equipment	4 years
○ motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (f) Investments in subsidiaries

Investments in subsidiaries are shown in the statement of financial position of the Company at cost less impairment losses (see accounting policy i).

#### (g) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy i).

#### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (i) Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI and certain loan commitments and financial guarantee contracts.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the estimated recoverable amount.

All impairment losses are recognised in the income statements. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

#### (j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

#### (k) Employee benefits

The Group contributes towards defined contribution plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### (l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### (m) Trade and other payables

Trade and other payables are stated at cost.

#### (n) Trading income

Trading income is analysed in note 4 to the financial statements. This represents the net amount earned from forfaiting yield and fair value adjustments and net fees and commissions income.

Forfaiting yield is the realised and accrued interest earned from forfaiting assets held for trading up to sale or maturity.

The Group earns fees and commissions income from the purchase of forfaiting assets held for trading, which can be divided into three broad categories; fees earned from services that are provided over a period of time, which are recognised over the period in which the service is provided; fees that are earned on completion of a significant act or on the occurrence of an event, such as the completion of a transaction, which are recognised when the act is completed or when the event occurs; and fees that are an integral part of the effective interest rate of the forfaiting assets held for trading.

The Group has entered into future contracts to hedge its interest rate exposure. Any gains and losses made under these derivative financial instruments are included within trading income.

As at the reporting date the Group has recognised the fair value of its forfaiting assets held for trading and derivative financial instruments. Fair value of forfaiting assets held for trading is calculated using the credit worthiness and interest rates on each asset at the reporting date and determining whether or not it is higher or lower than the book value, with the resulting profit or loss taken to the income statement.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (o) Expenses

##### (i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease initiatives received are recognised in the income statement as an integral part of the total lease expense.

##### (ii) Net finance costs

Net finance costs comprise interest payable and foreign exchange gains and losses.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

#### (p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary difference, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (q) Segment Reporting

The Group is not required to adopt IFRS 8 Operating Segment reporting as the Group is not listed. All trading income and profits before taxation are derived from the Group's sole activity of international trade finance focusing on forfaiting and loans. As trading is carried out in international markets, it is not viewed to be contained by geographical boundaries. Furthermore, the forfaiting assets held for trading are diverse and as a consequence segmenting into specific countries or regions would not be meaningful over time as there is no comparability.

#### (r) Sale and repurchase agreements

When forfaiting assets held for trading are sold subject to a commitment to repurchase them at a predetermined price (repos), they remain on the balance sheet as, in substance, these transactions are in the nature of secured borrowings. As a result of these transactions, the Company is unable to use, sell or pledge the transferred assets for the duration of the transaction. Similarly, forfaiting assets held for trading purchased under commitments to sell ('reverse repos') are not recognised on the balance sheet.

#### (s) Forfaiting assets write off

The Group writes off a forfaiting asset held for trading when it has been unequivocally determined that the asset is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/ guarantor's financial position such that the borrower/ guarantor can no longer pay the obligation, that proceeds from collateral will not be sufficient to pay back the entire exposure, or future recoverability efforts are deemed unfeasible.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (f) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The estimated impact of IFRS 9 and IFRS 15 is that there will not be a material impact on opening balances but work is ongoing in making a full assessment of the affected accounts.

#### IFRS 9

The Group had conducted an impact analysis of IFRS 9 Financial Instruments.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Following the business model test, the financial instruments of the Group, forfeiting assets are categorised as held for trading. Consequently these are measured at fair value through profit and loss (FVTPL) which is the same basis of classification and measurement as is currently applied under IAS 39.

The Group also makes certain financial guarantees to customers, such as letters of credit confirmations, confirmations of promissory notes or loan credit default swaps. Under IFRS 9 these instruments meet the definition of Financial Guarantees. These instruments must be measured initially at fair value, which is usually equal to premiums received (expected to be nil on 1 January 2018). Subsequently these instruments are measured at the higher of the amount of loss allowance or the initial amount recognised less the cumulative amount of income recognised at the reporting date. As at 1 January 2018 we have not identified any expected losses in respect of these contracts.

#### IFRS 15

The Group had conducted an impact analysis on IFRS 15 Revenue from Contracts with Customers.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. [IFRS 15:1] Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards. Earlier application is permitted.

The core principle of IFRS 15 is that an entity will recognise revenue 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. This core principle is delivered in a five-step model framework: [IFRS 15:IN7]

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group performed the assessment above and did not identify any material changes to revenue recognition requirements.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (f) New standards and interpretations not yet adopted

##### Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRS 16 – Leases due to come into effect 1 January 2019.
- Annual Improvements to IFRSI 2014-2016 Cycle -Amendments to IFBS 1 and IAS 28.
- Transfers of Investment Property (Amendments to IAS 40).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.

### 4. Trading income

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Net gain on financial instruments held for trading:				
Forfaiting yield	14,146,922	13,928,036	14,146,922	13,928,036
Fair valuation of forfaiting assets held for trading and derivative financial instruments	(50,022)	(1,742,186)	(50,022)	(1,742,186)
	14,096,900	12,185,850	14,096,900	12,185,850
Fees and commissions income	9,180,268	7,966,210	9,180,268	7,966,210
Fees and commissions expenses	(2,047,231)	(2,715,304)	(3,278,500)	(3,698,741)
	21,229,937	17,436,756	19,998,668	16,453,319

Included within the Company's fees and commissions expense is an amount of USD 1,231,895 (2016: USD 983,639) payable to subsidiaries for marketing services.

### 5. Administrative expenses

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Staff cost				
Wages, salaries and allowances	4,481,974	3,887,908	3,846,162	3,373,278
Social security costs	449,633	411,946	404,061	378,529
Pension costs	148,404	159,529	131,863	144,755
Operating lease expenses	594,661	465,851	465,531	346,481
Auditor's remuneration:				
Audit of these financial statements	92,505	68,753	92,505	68,753
Amount receivable by auditors and their associates in respect of services to subsidiaries:				
- review of interim information	74,205	55,249	74,205	55,249
- audit of financial statements of subsidiaries	8,290	6,139	8,290	6,139
- other services relating to taxation	30,666	25,696	30,666	25,696
Other professional fees	187,695	262,604	176,547	240,442
Management fees recharged to parent	(505,501)	(519,800)	(505,501)	(519,800)
Other administrative expenses	836,507	791,220	742,989	715,469
	6,399,039	5,615,095	5,467,318	4,834,991

	Group		Company	
	2017	2016	2017	2016
Average number of employees (including Directors) during the year:				
- forfaiting and loan officers	15	15	11	12
- other staff	23	22	20	19
	38	37	31	31

Other pension cost represents contribution payable by the Group to a defined contribution pension scheme.



## Notes to the financial statements (continued)

### Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Directors' Remuneration	49,778	86,878	49,778	86,878
Company contributions to money purchase pension plans	-	4,204	-	4,204
	<b>49,778</b>	<b>91,082</b>	<b>49,778</b>	<b>91,082</b>

The aggregate of emoluments and amounts receivable for the highest paid Director is USD 31,111 (2016: USD 29,642). The directors of LFC include employees of other KIPCO group companies whose remuneration is borne by these companies and similarly, there are employees remunerated by the Company who act as directors of other companies in the FIMBank group. For those directors not compensated by the Company a portion of their total compensation has been allocated.

### 6. Other operating income

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Reversal of impairment on loan to subsidiary	-	-	138,923	118,061
Impairment on investment in subsidiary	-	-	7,195	(27,331)
	<b>-</b>	<b>-</b>	<b>146,118</b>	<b>90,730</b>

The reversal of impairment on loan to subsidiary for USD 138,923 (2016: USD 118,061) relates to a loan previously given/provided by LFC to its subsidiary. The loan has been fully impaired previously and has a fair value of nil as at 31 December 2017 (2016: nil).

### 7. Net finance costs

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
<b>Interest income</b>				
Receivable from subsidiaries	-	-	173,270	113,610
Other	10,121	631	26	69
Financial income	<b>10,121</b>	<b>631</b>	<b>173,296</b>	<b>113,679</b>
<b>Interest expense</b>				
Payable to parent	(3,495,549)	(3,818,335)	(3,495,549)	(3,818,335)
Payable to third parties	(2,743,119)	(2,138,283)	(2,743,119)	(2,138,283)
Net exchange losses	(119,483)	(72,069)	(126,845)	(75,050)
Financial expenses	<b>(6,358,151)</b>	<b>(6,028,687)</b>	<b>(6,365,513)</b>	<b>(6,031,668)</b>
Net financing expenses	<b>(6,348,030)</b>	<b>(6,028,056)</b>	<b>(6,192,217)</b>	<b>(5,917,989)</b>

## Notes to the financial statements (continued)

### 8. Income tax

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
<b>Current tax expense</b>				
Current year	149,669	-	149,669	-
Non-current	-	-	-	-
<b>Deferred tax expense</b>				
Benefit of tax losses recognised	-	(687,726)	-	(687,726)
<b>Income tax expense/ (credit)</b>	<b>149,669</b>	<b>(687,726)</b>	<b>149,669</b>	<b>(687,726)</b>

### Reconciliation of effective tax rate

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Profit before tax	8,482,868	5,793,605	8,485,251	5,791,069
Tax using the UK Corporation tax rate of 19.25% (2016: 20%)	1,632,952	1,158,721	1,633,411	1,158,214
Effects of:				
Expenses/(income) disregarded for tax purposes	1,481	1,982	(27,004)	(16,588)
Depreciation in excess of capital allowances	12,025	11,619	7,723	9,946
Utilisation of tax losses brought forward	(1,496,789)	(1,172,322)	(1,464,461)	(1,151,572)
Recognition of previously unrecognised tax losses	-	(687,726)	-	(687,726)
<b>Income tax expense/ (credit)</b>	<b>149,669</b>	<b>(687,726)</b>	<b>149,669</b>	<b>(687,726)</b>

## Notes to the financial statements (continued)

### 9. Plant and equipment Group

	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
<b>Cost</b>			
Balance at 1 January 2016	849,099	137,721	986,820
Additions	11,622	-	11,622
Disposals	(132,762)	-	(132,762)
Balance at 31 December 2016	727,959	137,721	865,680
Balance at 1 January 2017	727,959	137,721	865,680
Additions	31,441	-	31,441
Disposals	(20,006)	(42,644)	(62,650)
Balance at 31 December 2017	739,394	95,077	834,471
<b>Depreciation</b>			
Balance at 1 January 2016	680,676	113,248	793,924
Depreciation charge for the year	56,895	3,550	60,445
Disposals	(130,413)	-	(130,413)
Balance at 31 December 2016	607,158	116,798	723,956
Balance at 1 January 2017	607,158	116,798	723,956
Depreciation charge for the year	52,123	20,923	73,046
Disposals	(19,337)	(42,644)	(61,981)
Balance at 31 December 2017	639,944	95,077	735,021
<b>Carrying amounts</b>			
At 1 January 2016	168,423	24,473	192,896
At 31 December 2016	120,801	20,923	141,724
At 1 January 2017	120,801	20,923	141,724
At 31 December 2017	99,450	-	99,450

## Notes to the financial statements (continued)

### 9. Plant and equipment (continued) Company

	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
<b>Cost</b>			
Balance at 1 January 2016	751,703	95,080	846,783
Additions	9,682	-	9,682
Balance at 31 December 2016	(132,762)	-	(132,762)
	<u>628,623</u>	<u>95,080</u>	<u>723,703</u>
Balance at 1 January 2017	628,623	95,080	723,703
Additions	30,970	-	30,970
Disposals	(19,270)	(25,476)	(44,746)
Balance at 31 December 2017	<u>640,323</u>	<u>69,604</u>	<u>709,927</u>
<b>Depreciation</b>			
Balance at 1 January 2016	594,426	94,550	688,976
Depreciation charge for the year	51,546	530	52,076
Balance at 31 December 2016	(130,413)	-	(130,413)
	<u>515,559</u>	<u>95,080</u>	<u>610,639</u>
Balance at 1 January 2017	515,559	95,080	610,639
Depreciation charge for the year	50,699	-	50,699
Disposals	(18,601)	(25,476)	(44,077)
Balance at 31 December 2017	<u>547,657</u>	<u>69,604</u>	<u>617,261</u>
<b>Carrying amounts</b>			
At 1 January 2016	157,277	530	157,807
At 31 December 2016	113,064	-	113,064
At 1 January 2017	113,064	-	113,064
At 31 December 2017	<u>92,666</u>	<u>-</u>	<u>92,666</u>

## Notes to the financial statements (continued)

### 10. Investments in subsidiaries Company

	2017 USD	2016 USD
<b>Cost</b>		
Balances at 1 January	47,710,291	47,710,291
Balances at 31 December	47,710,291	47,710,291
<b>Impairment</b>		
Balances at 1 January	47,676,592	47,649,261
Impairment	(7,195)	27,331
Balances at 31 December	47,669,397	47,676,592
<b>Net investment</b>	<b>40,894</b>	<b>33,699</b>

The Group and Company have the following investments in subsidiaries:

	Nature of business	Country of incorporation	Issued ordinary share capital	Ownership interest	
				2017	2016
London Forfaiting International Limited	Holding company	Great Britain	USD 1,000	100%	100%
London Forfaiting Americas Inc. *	Marketing	United States of America	USD 250,000	100%	100%
London Forfaiting do Brasil Ltda. *	Marketing	Brazil	BRL 4,045,656	100%	100%

\* A wholly-owned subsidiary of London Forfaiting International Ltd.

## Notes to the financial statements (continued)

### 11. Deferred tax assets

#### Group and Company

#### Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Tax value of loss carry-forwards Recognised	7,259,406	7,259,406	7,259,406	7,259,406

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Deferred tax asset brought forward	7,259,406	6,571,680	7,259,406	6,571,680
Utilised	(1,496,789)	(1,172,322)	(1,464,461)	(1,151,572)
Recognition of previously unrecognised tax losses	1,496,789	1,860,048	1,464,461	1,839,298
Balance at 31 December	7,259,406	7,259,406	7,259,406	7,259,406

Recognition of the above deferred tax assets is based on management's five year profit forecasts (2016: five years). It is based on available evidence, including historical levels of profitability and reasonable assumptions, which indicates that it is probable that the Company will have future taxable profits against which these assets can be used.

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Group	Gross amount		Tax value	
	2017	2016	2017	2016
	USD	USD	USD	USD
Tax losses	8,381,069	16,941,518	1,508,592	3,049,473

  

Company	Gross amount		Tax value	
	2017	2016	2017	2016
	USD	USD	USD	USD
Tax losses	2,988,356	11,484,621	537,904	2,067,232

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and to 17% (effective 1 April 2020) was enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2017.

## Notes to the financial statements (continued)

### 12. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Amounts due from parent	398,993	485,630	398,993	485,630
Pre-payments and accrued income	556,826	471,184	519,817	434,951
Other debtors	3,444,255	389,165	3,414,515	370,105
	<b>4,400,074</b>	<b>1,345,979</b>	<b>4,333,325</b>	<b>1,290,686</b>

Amounts due from parent yield no interest. These receivables are unsecured and have no fixed date for repayment; however are considered repayable on demand.

### 13. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Cash at banks	6,344,313	159,832	6,302,875	130,061
Cash in hand	23,536	24,793	23,531	24,789
Cash at banks and in hand	<b>6,367,849</b>	<b>184,625</b>	<b>6,326,406</b>	<b>154,850</b>

All balances have a remaining period to maturity of less than three months.

### Bank overdraft

The overdraft facility, from the parent company, is the equivalent of USD 350 million (2016: USD 300 million). This facility is made available in USD, GBP, EUR, JPY and AED and is unsecured.

### 14. Other borrowings

#### Group and Company

	2017	2016
	USD	USD
Issued promissory notes	54,653,654	8,225,869
Money market loans	13,996,642	-
Repos	65,000,000	78,500,000
Other borrowings	<b>133,650,296</b>	<b>86,725,869</b>

	Carrying amount of transferred liabilities	Carrying amount of transferred assets	Carrying amount of transferred liabilities	Carrying amount of transferred assets
	2017	2017	2016	2016
	USD	USD	USD	USD
Repos	65,000,000	72,542,262	78,500,000	87,289,474

The assets transferred under the repurchase agreement are forfaiting assets held for trading with market value of USD 72,542,262 (2016: USD 87,289,474) which have been pledged as collateral under repurchase agreement entered by the Company.



## Notes to the financial statements (continued)

### 15. Share capital

<i>In thousands of shares</i>	Ordinary shares	
	2017	2016
In issue at 1 January and 31 December – fully paid	40,000	40,000

At 31 December 2017, the paid share capital comprised of 40,000,000 (2016: 40,000,000) ordinary shares of USD 1 each.

### 16. Trade and other payables

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Amounts due to parent	539,828	397,327	539,828	397,327
Accruals and deferred income	9,424,141	9,663,678	9,357,687	9,593,660
	<b>9,963,969</b>	<b>10,061,005</b>	<b>9,897,515</b>	<b>9,990,987</b>

Included in accruals and deferred income is USD 1.21m (2016: USD 1.09m) of fees received on trades entered into where the company has a continued involvement. Continued involvement includes periodic reviews in which additional charges may be incurred and amounts may be repaid. These amounts are released to the income statement over the period to which the company is expected to have a continued involvement. As at 31 December 2017, this is expected to be between 7 and 8 years.

Amounts due to parent yield no interest. These payables are unsecured and have no fixed date for repayment.

## Notes to the financial statements (continued)

### 17. Fair values of financial instruments

#### Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The carrying amounts of the Group and Company's assets and liabilities, including those at the reporting date approximate their fair values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments at the reporting date.

The Group measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices within Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

#### Forfaiting assets held for trading

All forfaiting assets held for trading are reported at their fair value at the reporting date.

When available, the Group measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regular occurring market transactions on an arm's length basis. However, forfaiting assets are not actively traded with quoted prices. Accordingly, the Group establishes fair value using a valuation technique using the credit worthiness and interest rates on each asset at the reporting date to discount expected future principal and interest cash flows, with the resulting gain or loss taken to the income statement. Due to the judgmental nature of the assumptions used, in particular the discount rate, the valuation methodology is considered level 3 as per IFRS 7 classification.

The Group has an established control framework with respect to the measurement of fair values. This framework includes reports to the Chief Executive Officer and in his absence, the Head of Trading who has overall responsibility for verifying the results of trading and investment operations and all significant fair value measurements. Significant valuation issues are reported to the Board of Directors and the Board Risk Committee of the parent company, FIMBank plc.

## Notes to the financial statements (continued)

### 17. Fair values of financial instruments - continued

#### Interest rate future contracts

In the case of future contracts, broker quotes are used. Those quotes are back tested using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

#### Interest rates used for determining fair value

The Group and Company use the LIBOR yield curve as of 31 December 2017 plus an adequate credit margin spread to discount forfaiting assets held for trading. The interest rates used are as follows:

	<b>2017</b>	<b>2016</b>
Forfaiting assets held for trading	<b>0.54% - 12.02%</b>	<b>0.54% - 9.81%</b>

Where forfaiting assets held for trading are not determined by interest rates, the fair value is derived from a percentage amount on the outstanding net book value as at the reporting date, which represents management's best estimate of the recoverable amount.

#### Reconciliation of forfaiting assets held for trading

The following table shows a reconciliation from the beginning balances to the ending balances for fair value of forfaiting assets held for trading.

#### Group and Company

	<b>2017</b>	<b>2016</b>
	<b>USD</b>	<b>USD</b>
Balance at 1 January	379,397,964	355,063,998
Purchases	474,850,009	632,414,798
Settlements	(610,208,822)	(594,146,860)
Fair valuation adjustments	(50,021)	(1,942,950)
Movement in accrued interest	131,431	116,435
Exchange differences	13,632,374	(1,769,784)
Overdue now settled	(4,989,015)	(9,382,940)
Matured but not settled during the year	120,224	4,045,267
Asset written off	(375,000)	(5,000,000)
Balance at 31 December	<b>252,509,144</b>	<b>379,397,964</b>

## Notes to the financial statements (continued)

### 17. Fair values of financial instruments – continued

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Group	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
<b>2017</b>					
<b>Assets</b>					
Cash and cash equivalents	-	6,367,849	-	6,367,849	6,367,849
Trade and other receivables	-	4,400,074	-	4,400,074	4,400,074
<b>Liabilities</b>					
Bank overdraft	-	48,875,237	-	48,875,237	48,875,237
Other borrowings	-	133,650,296	-	133,650,296	133,650,296
Trade and other payables	-	9,963,969	-	9,963,969	9,963,969
<b>2016</b>					
<b>Assets</b>					
Cash and cash equivalents	-	184,625	-	184,625	184,625
Trade and other receivables	-	1,345,979	-	1,345,979	1,345,979
<b>Liabilities</b>					
Bank overdraft	-	217,281,201	-	217,281,201	217,281,201
Other borrowings	-	86,725,869	-	86,725,869	86,725,869
Trade and other payables	-	10,061,005	-	10,061,005	10,061,005
<b>Company</b>					
	USD	USD	USD	USD	USD
<b>2017</b>					
<b>Assets</b>					
Cash and cash equivalents	-	6,326,406	-	6,326,406	6,326,406
Trade and other receivables	-	4,333,325	-	4,333,325	4,333,325
<b>Liabilities</b>					
Bank overdraft	-	48,875,237	-	48,875,237	48,875,237
Other borrowings	-	133,650,296	-	133,650,296	133,650,296
Trade and other payables	-	9,897,515	-	9,897,515	9,897,515
<b>2016</b>					
<b>Assets</b>					
Cash and cash equivalents	-	154,850	-	154,850	154,850
Trade and other receivables	-	1,290,686	-	1,290,686	1,290,686
<b>Liabilities</b>					
Bank overdraft	-	217,281,201	-	217,281,201	217,281,201
Other borrowings	-	86,725,869	-	86,725,869	86,725,869
Trade and other payables	-	9,990,987	-	9,990,987	9,990,987

Where available, the fair value of cash and cash equivalents is based on observable market transactions.

## Notes to the financial statements (continued)

### 18. Financial instruments

The Group and Company's business is presently focused on trading in forfaiting assets and comprises the acquisition and sale/maturity of a variety of commercial papers. In the normal course of business the Company is exposed to the following risks:

- Market risk
- Liquidity risk
- Credit risk and
- Operational risk

Derivative financial instruments are restricted in use to economically hedge exposures to fluctuations in interest rates.

The Group and Company's portfolio of forfaiting assets held for trading comprises bills of exchange, promissory notes, loans credit default swaps as well as transferable trade related loans that albeit not exchange traded, exist within an active and well established secondary market. The Group and Company is consequently exposed to various types of risk that are associated with forfaiting assets held for trading, their funding components, and the geographical region within which it operates. The most important are market, credit and liquidity risks.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board in conjunction with the Executive Committee (EXCO) of the parent company, FIMBank plc, has established risk management policies which are responsible for developing and monitoring of all risk to the Group.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Group's risk management is also monitored by the parent company FIMBank plc's Risk Management Committee.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Group and Company are discussed below.

## Notes to the financial statements (continued)

### 18. Financial instruments (continued)

#### Market risk

Market risk embodies the potential for both losses and gains and comprises price risk, currency risk and interest rate risk.

The Group and Company's strategy on the management of risk, to which it is exposed as a result of its trading activities, is driven by the Board's objective to grow the size and increase the turnover of its forfaiting portfolio which necessarily requires an increase in the Group and Company's funding sources.

The Group and Company's market risk is managed on a daily basis. The decision to sell assets prior to or to hold until maturity depends on the Group and Company's liquidity, profit opportunity and trading alternatives available at the time. Portfolio management in this respect is the critical process of trading in forfaiting assets. The Group and Company has a diversified portfolio of forfaiting assets held for trading concentrating in different regions and different types of counterparties, shown in the tables below.

#### Market risk – Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual forfaiting asset, the debtor or all factors (e.g. political or commercial) affecting the forfaiting assets traded on the market. As against marketable securities, price risk is considered to be a less relevant variable in relation to forfaiting assets held for trading. Notwithstanding this, the Group and Company endeavours to mitigate any price risk by building a diversified forfaiting portfolio with an ultimately different geographical exposure.

As the majority of the Group and Company's financial assets are carried at fair value with changes through the income statement, any changes in market conditions will directly affect the Group and Company's results.

#### Forfaiting assets held for trading

Region	2017 USD	2016 USD
Africa & Middle East	54,611,729	67,934,351
Americas	64,145,074	94,136,878
Asia	39,816,166	31,835,941
Central and Eastern Europe	2,900,000	17,237,463
Rest of Europe	91,036,175	168,253,331
	<b>252,509,144</b>	<b>379,397,964</b>

  

Counterparty type	2017 USD	2016 USD
Banks	92,321,816	220,590,367
Corporates	114,182,092	143,952,776
Sovereign	46,005,236	14,854,821
	<b>252,509,144</b>	<b>379,397,964</b>



## Notes to the financial statements (continued)

### 18. Financial instruments (continued)

#### Market risk – Currency risk

The Group and Company trades in financial assets (represented by forfaiting assets held for trading) that are denominated, to a certain extent, in currencies other than US Dollars. The Group's policy is to hedge currency exposure that has a significant impact on its equity, which is mainly through the managing of its multi-currency loan facility.

The Group and Company's total net exposure in foreign currency exchange rates at the reporting date were as follows:

Group	2017					2016				
	USD	Euro USD	Sterling USD	Other USD	Total USD	USD	Euro USD	Sterling USD	Other USD	Total USD
<b>Assets</b>										
- Forfaiting assets held for trading	231,582,029	19,281,303	1,645,812	-	252,509,144	225,438,885	145,615,794	8,343,285	-	379,397,964
- Cash and cash equivalents	79,327	6,005,064	247,523	35,935	6,367,849	45,083	11,295	104,859	23,388	184,625
- Trade and other receivables	2,208,077	2,138,890	26,099	27,008	4,400,074	1,250,915	43,265	36,697	15,102	1,345,979
<b>Total Assets</b>	<b>233,869,433</b>	<b>27,425,257</b>	<b>1,919,434</b>	<b>62,943</b>	<b>263,277,067</b>	<b>226,734,883</b>	<b>145,670,354</b>	<b>8,484,841</b>	<b>38,490</b>	<b>380,928,568</b>
<b>Liabilities</b>										
- Bank overdraft	57,135,063	(9,905,584)	1,645,758	-	48,875,237	70,467,486	138,370,811	8,398,109	44,795	217,281,201
- Other borrowings	96,869,449	36,780,847	-	-	133,650,296	81,479,107	5,246,762	-	-	86,725,869
- Trade and other payables	8,717,037	499,860	725,022	22,050	9,963,969	7,648,865	1,841,054	545,083	26,003	10,061,005
<b>Total liabilities</b>	<b>162,721,549</b>	<b>27,375,123</b>	<b>2,370,780</b>	<b>22,050</b>	<b>192,489,502</b>	<b>159,595,458</b>	<b>145,458,627</b>	<b>8,943,192</b>	<b>70,798</b>	<b>314,068,075</b>
<b>Company</b>										
<b>Assets</b>										
- Forfaiting assets held for trading	231,582,029	19,281,303	1,645,812	-	252,509,144	225,438,885	145,615,794	8,343,285	-	379,397,964
- Cash and cash equivalents	73,820	6,005,063	247,523	-	6,326,406	38,695	11,295	104,860	-	154,850
- Trade and other receivables	2,168,336	2,138,890	26,099	-	4,333,325	1,210,724	43,265	36,697	-	1,290,686
<b>Total Assets</b>	<b>233,824,185</b>	<b>27,425,256</b>	<b>1,919,434</b>	<b>-</b>	<b>263,168,875</b>	<b>226,688,304</b>	<b>145,670,354</b>	<b>8,484,842</b>	<b>-</b>	<b>380,843,500</b>
<b>Liabilities</b>										
- Bank overdraft	57,135,063	(9,905,584)	1,645,758	-	48,875,237	70,467,486	138,370,811	8,398,109	44,795	217,281,201
- Other borrowings	96,869,449	36,780,847	-	-	133,650,296	81,479,107	5,246,762	-	-	86,725,869
- Trade and other payables	8,672,632	499,860	725,023	-	9,897,515	7,604,850	1,841,054	545,083	-	9,990,987
<b>Total liabilities</b>	<b>162,677,144</b>	<b>27,375,123</b>	<b>2,370,781</b>	<b>-</b>	<b>192,423,048</b>	<b>159,551,443</b>	<b>145,458,627</b>	<b>8,943,192</b>	<b>44,795</b>	<b>313,998,057</b>



## Notes to the financial statements (continued)

### 18. Financial instruments (continued)

#### Market risk - Currency risk (continued)

A 10 percent strengthening of the US Dollar against the other currencies as at 31 December 2017 would have increased equity and the profit by USD 32,756 (2016: USD 20,569 profit). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2016. A 10 percent weakening of the US Dollars would give rise to an equal and opposite effect.

#### Market risk - Interest rate risk

The Group and Company are largely funded through equity and short term debt from its parent at rates linked to the Official ICE LIBOR fixings (LIBOR). The Group and Company are not exposed to changes in the fair value of its liabilities as a result of changes in interest rates. On the other hand, the forfaiting market very often requires fixed rate pricing which exposes the Group and Company to the interest rate risk. In this respect, the Group and Company sells interest rate future contracts dated on or near the maturity dates of the forfaiting assets held for trading when it commits to acquire fixed rate forfaiting assets held for trading. In the event of a decision to dispose of the forfaiting asset held for trading and the related future contract before its maturity, the Group and Company have the means to buy equivalent interest rate futures with a minimum of cost.

The interest rate futures contracts are measured at fair value through the profit or loss. The net fair value adjustment of the interest rate futures at 31 December 2017 was a profit of USD 12,813 (2016: USD 38,134). These amounts are recognised as fair valuation of derivative financial instruments in Trading Income.

In managing the interest rate risk, the Group and Company aims to reduce the impact of short term fluctuations on the Group and Company's earnings. Notwithstanding the current low LIBOR rate environment, the Group and Company enter into interest rate futures contracts, to hedge against the risk of changes in the fair value of its trading assets resulting from changes in interest rates, for its forfaiting assets with an average life of more than twelve months. The effect of an estimated general increase of one percentage point in interest rate on trading assets with an average life of more than six months as at 31 December 2017 would reduce the Group and Company's profit before tax by approximately USD 282,068 (2016: USD 388,913) as the Group and Company has no interest rates futures contracts as at the 31 December 2017.

#### Liquidity risk

As already stated above under Interest Rate Risk, the Group and Company are funded through equity capital, a multi currency overdraft facility from the parent with a limit of USD 350 million and external borrowings. In this regard, the Group and Company's liquidity risks are limited in view of the marketability of the forfaiting assets held for trading and the availability of credit lines from the parent.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by LFC's management. Daily reports cover the liquidity position of both the Group and operating subsidiaries and foreign branches. A summary report, including any exceptions and remedial action taken is regularly submitted to management.

## Notes to the financial statements (continued)

### 18. Financial instruments (continued)

#### Liquidity risk (continued)

The table below shows the undiscounted cash flows on the Group and Company's financial liabilities, including loan commitments on the basis of their earliest possible contractual maturity.

Group	Total USD	Total Undiscounted Contractual Cashflows USD	6 months or less USD	6-12 Months USD	1-2 Years USD	2-5 Years USD	Over 5 Years USD
<b>2017</b>							
Bank overdraft	48,875,237	49,013,703	49,013,703	-	-	-	-
Other borrowings	133,650,296	134,886,780	124,612,783	10,273,997	-	-	-
Amounts due to parent	539,828	539,829	539,829	-	-	-	-
Accruals & deferred income	9,424,141	9,424,140	2,135,985	2,863,624	3,327,064	1,097,467	-
<b>Total</b>	<b>192,489,502</b>	<b>193,864,452</b>	<b>176,302,300</b>	<b>13,137,621</b>	<b>3,327,064</b>	<b>1,097,467</b>	<b>-</b>
<b>2016</b>							
Bank overdraft	217,281,201	222,658,911	-	4,302,168	218,356,743	-	-
Other borrowings	86,725,869	88,775,917	22,274,516	66,501,401	-	-	-
Amounts due to parent	397,327	397,327	397,327	-	-	-	-
Accruals & deferred income	9,663,678	9,663,678	2,925,546	3,461,514	1,827,117	1,406,630	42,871
<b>Total</b>	<b>314,068,075</b>	<b>321,495,833</b>	<b>25,597,389</b>	<b>74,265,083</b>	<b>220,183,860</b>	<b>1,406,630</b>	<b>42,871</b>

The amount of USD 48,875,237 on the Bank Overdraft is repayable on demand (2016:USD 217,281,201).

Company	Total USD	Total Undiscounted Contractual Cashflows USD	6 months or less USD	6-12 Months USD	1-2 Years USD	2-5 Years USD	2-5 Years USD
<b>2017</b>							
Bank overdraft	48,875,237	49,013,703	49,013,703	-	-	-	-
Other borrowings	133,650,296	134,886,780	124,612,783	10,273,997	-	-	-
Amounts due to parent	539,828	539,828	539,828	-	-	-	-
Accruals & deferred income	9,357,687	9,357,687	2,119,560	2,813,596	3,327,064	1,097,467	-
<b>Total</b>	<b>192,423,048</b>	<b>193,797,998</b>	<b>176,285,874</b>	<b>13,087,593</b>	<b>3,327,064</b>	<b>1,097,467</b>	<b>-</b>
<b>2016</b>							
Bank overdraft	217,281,201	222,658,911	-	4,302,168	218,356,743	-	-
Other borrowings	86,725,869	88,775,917	22,274,516	66,501,401	-	-	-
Amounts due to parent	397,327	397,327	397,327	-	-	-	-
Accruals & deferred income	9,593,660	9,593,660	2,915,781	3,401,261	1,827,117	1,406,630	42,871
<b>Total</b>	<b>313,998,057</b>	<b>321,425,815</b>	<b>25,587,624</b>	<b>74,204,830</b>	<b>220,183,860</b>	<b>1,406,630</b>	<b>42,871</b>

The amount of USD 48,875,237 on the Bank Overdraft is repayable on demand (2016:USD 217,281,201).

## Notes to the financial statements (continued)

### 18. Financial instruments (continued)

#### Effective interest rates and replicating analysis – Group

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they mature, or if earlier are repriced.

	Effective interest rate	2017						2016						
		Total	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years	Total	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years	
														USD
Forfeiting assets held for trading														
- USD fixed rate	7.15	94,707,536	81,206,951	3,929,055	9,571,530	-	-	5.43	82,598,496	56,251,426	19,964,877	3,214,204	3,167,989	-
- Euro fixed rate	4.67	14,635,606	165,722	10,289,411	543,801	3,636,672	-	4.93	24,419,330	2,325,802	7,733,254	13,777,902	582,372	-
- GBP fixed rate	3.76	1,643,309	829,630	65,277	414,195	334,207	-	4.06	8,343,285	5,845,224	1,833,141	116,402	548,518	-
- USD floating rate	6.43	136,712,751	26,476,812	29,842,072	37,001,267	43,392,600	-	4.80	142,840,388	67,049,116	27,113,752	15,793,301	29,898,844	2,985,375
- Euro floating rate	1.00	4,809,942	4,797,733	12,209	-	-	-	3.06	121,196,465	34,833,985	73,205,581	10,538,187	-	2,618,712
		252,509,144	113,476,848	44,138,024	47,530,793	47,363,479	-		379,397,964	166,305,553	129,850,605	43,439,996	34,197,723	5,604,087
Cash and cash equivalents														
- Cash at Bank	0.30	6,344,313	6,344,313	-	-	-	-	-	159,832	159,832	-	-	-	-
- Cash in hand	-	23,536	23,536	-	-	-	-	-	24,793	24,793	-	-	-	-
		6,367,849	6,367,849	-	-	-	-		184,625	184,625	-	-	-	-
Bank overdraft														
- USD	3.81	(57,135,063)	(57,135,063)	-	-	-	-	2.27	(70,467,486)	-	-	(70,467,486)	-	-
- EUR	0.00	9,905,594	9,905,584	-	-	-	-	1.04	(138,370,811)	-	-	(138,370,811)	-	-
- GBP	2.75	(1,645,758)	(1,645,758)	-	-	-	-	1.76	(8,398,109)	-	-	(8,398,109)	-	-
- AED	-	-	-	-	-	-	-	2.27	(44,795)	-	-	(44,795)	-	-
		(48,875,237)	(48,875,237)	-	-	-	-		(217,281,201)	-	-	(217,281,201)	-	-
Other Borrowings	2.91	(133,650,296)	(123,456,005)	(10,194,291)	-	-	-	2.70	86,725,869	21,725,869	65,000,000	-	-	-
Total		76,351,460	(52,486,545)	33,943,733	47,530,793	47,363,479	-		249,027,257	188,216,047	194,850,605	(173,841,205)	34,197,723	5,604,087

## Notes to the financial statements (continued)

### 18. Financial instruments (continued)

#### Effective interest rates and repricing analysis – Company

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they mature, or if earlier are repriced.

		2017					2016							
	Effective interest rate	Total USD	6months or-less USD	6-12 months USD	1-2 years USD	2-5 years USD	Over 5 years	Effective interest rate	Total USD	6months or-less USD	6-12 months USD	1-2 years USD	2-5 years USD	Over 5 years
Forfaiting assets held for trading														
- USD fixed rate	7.15	94,707,536	81,206,951	3,929,055	9,571,530	-	-	5.43	82,598,496	56,251,426	19,964,877	3,214,204	3,167,989	-
- Euro fixed rate	4.67	14,635,606	165,722	10,289,411	543,801	3,636,672	-	4.93	24,419,330	2,325,802	7,733,254	13,777,902	582,372	-
- GBP fixed rate	3.76	1,643,309	829,630	65,277	414,195	334,207	-	4.06	8,343,285	584,5224	1,833,141	116,402	548,518	-
- USD floating rate	6.43	136,712,751	26,476,812	29,842,072	37,001,267	43,392,600	-	4.80	142,840,388	67,049,116	27,113,752	15,793,301	29,898,844	2,985,375
- Euro floating rate	1.00	4,809,942	4,797,733	12,209	-	-	-	3.06	121,196,465	34,833,985	73,205,581	10,538,187	-	2,618,712
		252,509,144	113,476,848	44,138,024	47,530,793	47,363,479	-		379,397,964	166,305,553	129,850,605	43,439,996	34,197,723	5,604,087
Cash and cash equivalents														
- Cash at Bank	0.30	6,302,875	6,302,875	-	-	-	-	-	130,061	130,061	-	-	-	-
- Cash in hand	-	23,531	23,531	-	-	-	-	-	24,789	24,789	-	-	-	-
		6,326,406	6,326,406	-	-	-	-		154,850	154,850	-	-	-	-
Bank overdraft														
- USD	3.81	(57,135,063)	(57,135,063)	-	-	-	-	2.27	(70,467,486)	-	-	(70,467,486)	-	-
- EUR	0.00	9,905,584	9,905,584	-	-	-	-	1.04	(138,370,811)	-	-	(138,370,811)	-	-
- GBP	2.75	(1,645,758)	(1,645,758)	-	-	-	-	1.76	(8,398,109)	-	-	(8,398,109)	-	-
- AED	-	-	-	-	-	-	-	2.27	(44,795)	-	-	(44,795)	-	-
		(48,875,237)	(48,875,237)	-	-	-	-		(217,281,201)	-	-	(217,281,201)	-	-
Other borrowings														
	2.91	(133,650,296)	(123,456,005)	(10,194,291)	-	-	-	2.70	86,725,869	21,725,869	65,000,000	-	-	-
Total		76,310,017	(52,527,988)	33,943,733	47,530,793	47,363,479	-		248,997,482	188,186,272	194,850,605	(173,841,205)	34,197,723	5,604,087



## Notes to the financial statements (continued)

### 18. Financial instruments (continued)

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry, country and region in which customers operate. Details of concentration of the forfaiting portfolio are included in page 33.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references. Limits are established for each customer and reviewed quarterly. Any exposures exceeding those limits require approval from the risk management committee.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trade history with the Group and existence of previous financial difficulties.

The Group is closely monitoring the economic environment in the emerging market and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In 2017, countries where payment delays were experienced due to foreign exchange shortages, limits were reduced.

#### Group and Company

The aging of Forfaiting assets held for trading at the balance sheet date was:

	Gross Value 2017 USD	Fair Value 2017 USD	Gross Value 2016 USD	Fair Value 2016 USD
Not past due	250,224,948	249,410,467	372,674,046	371,931,121
Past due [0-30 days]	-	-	-	-
Past due [31-120 days]	-	-	4,040,767	4,016,536
More than 120 days	11,833,924	3,098,677	19,212,564	3,450,306
<b>Total</b>	<b>262,058,872</b>	<b>252,509,144</b>	<b>395,927,377</b>	<b>379,397,963</b>

The movement in the fair valuation in respect of forfaiting assets held for trading during the year was as follows:

	2017 USD	2016 USD
Balance at 1 January	(16,529,413)	(19,548,330)
Downward fair valuation	(1,138,608)	(2,465,086)
Upward fair valuation	1,075,774	484,003
Amounts reversed from written off assets	7,500,000	5,000,000
Balance at 31 December	(9,092,247)	(16,529,413)

There are no historic loans, not carried at fair value which are fully provided for.

## Notes to the financial statements (continued)

### 18. Financial instruments (continued)

#### Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. Operational risks include Compliance (KYC) risks, reputational risk amongst others.

#### Compliance (KYC) and Reputational Risks

Reputational risk is the risk that negative publicity on LFC's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. This arises from operational failures, failure to comply with relevant laws and regulations - especially Anti- Money Laundering ("AML") and Anti-Terrorism Financing ("ATF") regulations - or from other sources, including acts or omissions of misconduct on the part of its Directors and/or officers and/or representatives overseas, even in matters which are unrelated to their mandate or position within the Group. The impact to LFC for non-compliance with the applicable regulations can be substantial and can include formal enforcement actions, monetary penalties, informal enforcement actions, and enhanced supervisory monitoring.

To this purpose, detailed AML, ATF and fraud documentation policies and procedures, a robust Customer Acceptance Policy as well as a strong oversight by LFC's Board and Management have been devised. LFC uses research tools to assess the adequacy of prospective clients and transactions including the rating of corporate and business relationships. Through such rigid procedures, LFC would be able to identify transactions and clients which pose a higher risk compared to others. These include Politically Exposed Persons ("PEPs"), clients and transactions deriving from non-compliant jurisdictions. In addition, reputational risk is also indirectly mitigated through the setting of Country Limits. Some of the criteria used in setting up a transaction limit for particular countries are closely related to reputational risk, including issues relating to the political environment such as the fairness and frequency of election processes and access to power and effectiveness in reforming political systems and implementing economic agendas.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions ;
- compliance with regulatory and other legal requirements ;
- documentation of controls and procedures ;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified ;
- requirements for the reporting of operational losses and proposed remedial action ;
- development of contingency plans ;
- training and professional development ;
- ethical and business standards ;
- risk mitigation, including insurance where this is effective;
- periodic reviews undertaken by Internal Audit.

#### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, general reserve and retained earnings. The Board of Directors monitors the return on capital, which the Group defines as profit after tax divided by capital, represented by the shareholder's equity.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the year.



## Notes to the financial statements (continued)

### 19. Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Less than one year	357,071	336,418	262,271	241,618
Between one and five years	312,086	538,561	170,016	301,691
More than five year	-	-	-	-
	<b>669,157</b>	<b>874,979</b>	<b>432,287</b>	<b>543,309</b>

During the year, USD 594,661 was recognised as an expense in LFC Group's income statement in respect of operating leases (2016: USD 465,851). Similarly, USD 465,531 was recognised in the LFC Company's income statement in 2017 in respect of operating leases (2016: 346,481).

### 20. Commitments and contingencies

As part of its normal trade finance activity, the Group has entered into various confirmed credits and commitments, both of which are contingent upon the fulfilment of documentary conditions on the part of its customers. As at 31 December 2017 these totalled USD 120,110,362 (2016: USD81,958,973) for both the Group and the Company.

#### Financial Guarantees

Financial guarantees are recognised under IAS 39 and are held at fair value in the balance sheet. The nature of these guarantees means that fair value at inception is usually equal to the premium received. If there is no up-front payment then the fair value of the financial guarantees is recognised at nil on the balance sheet.

### 21. Related parties

#### Identity of related parties and related party balances

The Company has a related party relationship with its subsidiaries, parent and other group entities. The results of these transactions and balances with related parties are disclosed in the various notes to the financial statements together with the relative terms and conditions where applicable.

The Company has a relationship with Burgan Bank SAK, Kuwait, as it has a significant shareholding in the parent company, FIMBank plc. The Company has a USD 65m repo facility with Burgan Bank SAK, Kuwait which has been fully utilised. Further details of this is included in Note 14 Other Borrowings.

The Company has a relationship with Burgan Bank A.S, Turkey, as it is a subsidiary of the Burgan Bank SAK, Kuwait, which has a significant shareholding in the parent company, FIMBank plc. The Company has a USD 9,869,531 forfaiting assets held for trading as at 31 December 2017.

The Company has a relationship with Tunis International Bank S.A, Tunisia, as it has a significant shareholding in the parent company, FIMBank plc. The Company has a USD 8m money market loan with Tunis International Bank S.A. Further details of this is included in Note 14 Other Borrowings.

Information on amounts due to/by parent, FIMBank plc and subsidiary companies are set out in notes 10, 12 and 16 of these financial statements.

Other than consideration paid for the provision of services under contracts of employment or in their capacity as directors of the Company (disclosed in Note 5) the Company did not have other related party transactions with key management.

## **Notes to the financial statements (continued)**

### **22. Parent company and parent undertaking of larger group**

FIMBank plc by which the Company is directly wholly owned has its registered office situated at:

Mercury Tower  
The Exchange Financial & Business Centre  
Elia Zammit Street  
St. Julian's STJ 3155  
Malta

FIMBank plc prepares the financial statements of the Group of which London Forfaiting Company Limited and its subsidiaries form part. These financial statements are filed and available for public inspection at the Registrar of Companies in Malta.

## Income statement - 5 year summary (unaudited)

Group	2017 USD	2016 USD	2015 USD	2014 USD	2013 USD
Total value of forfaiting assets sold/matured during the year	610,208,822	594,146,860	369,569,684	353,288,355	360,678,762
Trading income	21,229,937	17,436,756	10,436,159	10,346,288	10,609,613
Administrative expenses	(6,399,039)	(5,615,095)	(5,637,217)	(5,737,650)	(4,776,053)
<b>Operating profit before provisions &amp; financing costs</b>	<b>14,830,898</b>	<b>11,821,661</b>	<b>4,798,942</b>	<b>4,608,638</b>	<b>5,833,560</b>
Movement in provisions		-	-	665,215	-
Operating profit before financing costs	14,830,898	11,821,661	4,798,942	5,273,853	5,833,560
Net Financing expense	(6,348,030)	(6,028,056)	(3,993,278)	(4,269,650)	(4,563,642)
Profit before tax	8,482,868	5,793,605	805,664	1,004,203	1,269,918
Income tax	(149,669)	687,726	-	-	-
<b>Profit for the year attributable to equity holders of the parent</b>	<b>8,333,199</b>	<b>6,481,331</b>	<b>805,664</b>	<b>1,004,203</b>	<b>1,269,918</b>

## Statements of financial position - 5 year summary (unaudited)

Group	2017 USD	2016 USD	2015 USD	2014 USD	2013 USD
<b>Assets</b>					
Plant and equipment	99,450	141,724	192,896	100,714	98,396
Deferred tax assets	7,259,406	7,259,406	6,571,680	6,571,680	6,571,680
<b>Non-current assets</b>	<b>7,358,856</b>	<b>7,401,130</b>	<b>6,764,576</b>	<b>6,672,394</b>	<b>6,670,076</b>
Forfaiting assets - held for trading	252,509,144	379,397,964	355,063,998	262,856,375	272,831,977
Cash and cash equivalents	6,367,849	184,625	165,399	184,873	224,659
Trade and other receivables	4,400,074	1,345,979	1,060,588	1,059,688	1,104,013
<b>Current assets</b>	<b>263,277,067</b>	<b>380,928,568</b>	<b>356,289,985</b>	<b>264,100,936</b>	<b>274,160,649</b>
<b>Total assets</b>	<b>270,635,923</b>	<b>388,329,698</b>	<b>363,054,561</b>	<b>270,773,330</b>	<b>280,830,725</b>
<b>Equity</b>					
Issued capital	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
General reserve	-	-	-	-	-
Retained earnings	38,146,421	34,261,623	27,780,292	26,974,628	25,970,425
<b>Total equity attributable to owners of the Company</b>	<b>78,146,421</b>	<b>74,261,623</b>	<b>67,780,292</b>	<b>66,974,628</b>	<b>65,970,425</b>
<b>Liabilities</b>					
Provisions	-	-	-	-	1,360,910
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,360,910</b>
Bank overdraft	48,875,237	217,281,201	208,526,277	165,020,576	157,374,547
Other Borrowings	133,650,296	86,725,869	76,832,308	31,748,388	47,255,486
Trade and other payables	9,963,969	10,061,005	9,915,684	7,029,738	8,869,357
<b>Current liabilities</b>	<b>192,489,502</b>	<b>314,068,075</b>	<b>295,274,269</b>	<b>203,798,702</b>	<b>213,499,390</b>
<b>Total liabilities</b>	<b>192,489,502</b>	<b>314,068,075</b>	<b>295,274,269</b>	<b>203,798,702</b>	<b>214,860,300</b>
<b>Total equity and liabilities</b>	<b>270,635,923</b>	<b>388,329,698</b>	<b>363,054,561</b>	<b>270,773,330</b>	<b>280,830,725</b>

## Cashflow statements - 5 year summary (unaudited)

Group	2017 USD	2016 USD	2015 USD	2014 USD	2013 USD
<b>Cash flows from operating activities</b>					
Proceeds from sales/maturity of forfaiting assets	624,487,174	608,191,331	379,589,607	366,575,437	383,877,015
Purchase of forfaiting assets	(483,501,455)	(620,339,449)	(464,363,211)	(351,840,939)	(407,941,359)
Interest and commission receipts	9,190,390	7,966,840	3,936,963	6,881,446	7,374,852
Interest and commission payments	(8,285,897)	(8,671,923)	(4,799,070)	(4,905,443)	(4,991,207)
Payments to employees and suppliers	(5,901,923)	(5,493,630)	(5,712,989)	(6,929,321)	(5,512,403)
Cash inflow/ outflow before changes in operating assets / liabilities	135,988,289	(18,346,831)	(91,348,700)	9,781,180	(27,193,102)
(Increase)/decrease in operating assets					
- Amounts due from ultimate parent	86,637	(8,393)	12,957	2,699	9,940
- Prepayments, accrued income and other debtors	(3,140,732)	(276,998)	(13,857)	41,626	(66,877)
Increase/(decrease) in operating liabilities					
Amount due to ultimate parent	142,502	(60,713)	74,972	(175,447)	151,859
Other liabilities	(793,669)	72,949	2,807,568	(1,790,295)	(882,809)
Net cash used in operating activities before income tax	(3,705,262)	(273,155)	2,881,640	(1,921,417)	(787,887)
Income tax paid	(149,669)	-	-	-	-
<b>Net cash used in operating activities</b>	<b>132,133,358</b>	<b>(18,619,986)</b>	<b>(88,467,060)</b>	<b>7,859,763</b>	<b>(27,980,989)</b>
<b>Net cash from investing activities</b>	<b>(20,197)</b>	<b>(9,273)</b>	<b>(142,035)</b>	<b>(38,480)</b>	<b>6,343</b>
<b>Cash flows from financing activities</b>					
Proceeds from issued prom notes	76,143,581	31,081,579	70,230,339	58,402,123	90,472,827
Repayment of prom notes	(29,715,795)	(48,502,465)	(55,182,780)	(83,300,933)	(63,789,751)
Other financing agreements entered	13,996,642	47,500,000	107,410,503	58,658,813	146,757,480
Repayment of financing agreements entered	(13,500,000)	(20,185,553)	(77,374,142)	(49,267,101)	(169,137,478)
Net movement in bank overdraft	(168,405,964)	8,754,924	43,505,701	7,646,029	23,657,779
Dividends Paid	(4,448,401)	-	-	-	-
<b>Net cash used in financing activities</b>	<b>(125,929,937)</b>	<b>18,648,485</b>	<b>88,589,621</b>	<b>(7,861,069)</b>	<b>27,960,857</b>
Net (decrease)/ increase in cash and cash equivalents	6,183,224	19,226	(19,474)	(39,786)	(13,789)
Cash and cash equivalents at beginning of year	184,625	165,399	184,873	224,659	238,448
<b>Cash and cash equivalents at end of year</b>	<b>6,367,849</b>	<b>184,625</b>	<b>165,399</b>	<b>184,873</b>	<b>224,659</b>

## **Directors and senior management**

### **Board of Directors**

**John C Grech (Chairman)**  
**Majed Essa Ahmed Al-Ajeel**  
**Mohamed Fekih Ahmed**  
**Robert Frost**

### **Chief Executive Officer**

**Simon Lay**

### **Head of Finance & HR/ Company Secretary**

**William Ramzan**

### **Head of Trading**

**Tony Knight**

### **Head of UK Marketing**

**Ian Lucas**

### **Head of Compliance & MLRO**

**Paul Bohannon**

### **Head of Operations**

**Lorna Pillow**

### **London Forfaiting Americas, Inc. (LFA)**

**Gregory Bernadi, President of LFA**

### **London Forfaiting do Brasil Ltda. (LFB)**

**Alexandre Ozzetti, Director of LFB**

### **Representative, Germany**

**Wenli Wang**

### **Representative, France**

**Eric Baillavoine**

### **Representative, Russian Federation**

**Irina Babenko**

### **Senior Managers**

**Colin Stone**  
**Sandro Valladares**  
**Yonca Sarp**



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