Annual Report 2015

www.forfaiting.com

London Forfaiting Company Limited
11 Ironmonger Lane
London EC2V 8EY
Registered Number 1733470

Contents

Background to our Business

London Forfaiting Company

LFC was established in 1984. We specialise in the provision of forfaiting and other trade related finance products with a focus on emerging market counterparty and country risks. Whilst our product range has been broadened and continues to evolve, these products remain the nucleus of what we do today.

LFC's success is built upon our close working relationships with clients, an understanding of their trade financing requirements and our proven reputation for providing fast, efficient, tailor-made solutions.

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

The extensive experience of our forfaiting professionals, from both banking and industry sectors, coupled with the LFC global network of offices, assures our clients of the highest level of service and diverse risk capacity.

What is Forfaiting?

Our core product is forfaiting which is a simple method of financing trade flows by discounting the receivables generated on a "Without Recourse" basis. Over time, forfaiting has evolved into a much broader financing technique used to finance virtually any form of negotiable instrument or debt which can be assigned and/or transferred.

LFC finances a wide range of goods and services including imports and exports of Commodities, Technology, Capital Equipment, Turn Key Projects and contracts in the sports sector. Credit periods range from 60 days up to 10 years.

LFC provides finance through loan facilities and the purchase of negotiable and transferable debt instruments. 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

Buyers may put more emphasis on cash flow than cash price, particularly in emerging markets. Using forfaiting, an exporter has the ability to offer extended payment terms which will greatly enhance the chances of them winning an export contract.

Having secured an export contract that encompasses extended payment terms, most exporters then prefer to receive cash shortly after shipment, without exposing themselves to the risks associated with providing financing to their overseas clients. Forfaiting allows the exporter to achieve this and removes the non-payment risk.

LFC uses forfaiting to mitigate a whole range of risks for our clients selling cross-border. These include commercial, political, transfer, interest and exchange risk.

Forfaiting Assets

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

LONDON FORFAITING

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, through an international network of offices. LFC's activities include the purchasing of bills of exchange, promissory notes, loans, deferred payment letters of credit and the provision of other financial facilities to companies and banks. The background to these business activities is given on page 1.

Results & Performance

The downward trend in commodity prices continued, mainly driven by lower economic activity in China. As a consequence those emerging economies reliant upon revenue from commodity exports were negatively impacted. In December the negative sentiment towards emerging markets was exacerbated by a rise in the US Fed Funds Rate. This was the first offical increase in US interest rates since the financial crisis in 2009 and led to a withdrawal of US Dollar liquidty from emerging market economies. Profitabily for the period reflected these challenging factors.

LFC reported a profit of USD 805,664 for 2015 (2014: USD 1,004,203), which represents a 20% decrease from the previous year. Profitability was impacted negatively by write downs in the value of a number of forfaiting assets held for trading.

Turnover and trading income

LFC's forfaiting assets held for trading increased by 35% from USD 262,856,375 in 2014 to USD 355,063,998 in 2015, which was the highest amount since FIMBank plc's acquisition of the company in 2003. LFC's turnover (defined as the total value of forfaiting assets sold/matured) increased by 5% to USD 369,569,684 in 2015 (2014: USD 353,288,355). Whilst turnover and the value of forfaiting assets held for trading both increased year on year, Forfaiting Yield decreased by 7% from USD 12,902,055 in 2014 to USD 12,018,640 in 2015 reflecting the lower average portfolio that pertained for most of the reporting period and high volume of purchases that took place in the last few months of the year. Whilst these purchases significantly increased the year end forfaiting assets held for trading there was negligible positive impact on Forfaiting Yield due to the short period the assets have been held in portfolio.

Net gains on forfaiting assets decreased from USD 670,456 in 2014 to a USD 379,945 in 2015. The reduction in net gains reflects in part, a strategy to increase the size of the portfolio of forfaiting assets held for trading, benefitting from increased funding lines from our shareholder and external borrowers. Income from net fees and commissions decreased to USD 3,002,141 from USD 5,587,392 due to the margins being depressed for the year under review.

Funding

LFC's parent, FIMBank plc., continued to provide additional funding support and in addition, external funding facilities increased resulting in a higher level of liquidity available for new transactions. LFC's other borrowings increased by 142% to USD 76,832,308 versus USD 31,748,388 in 2014. The Bank Overdraft provided by FIMBank plc. also increased from USD 165,020,576 to USD 208,526,277 reflecting their ongoing support. In addition, from 1 October 2015, FIMBank plc. reduced the margin charged to LFC on funding provided. Net financing expenses decreased by 6% from USD 4,269,650 in 2014 to USD 3,993,278 in 2015.

Administrative expenses

LFC continually monitors its administrative expenses, which were 2% lower for the year at USD 5,637,217 compared to USD 5,737,650 in 2014.

Deferred Tax Asset

It should be noted that LFC recognises a deferred tax asset ("DTA") of approximately USD 6.6m in its statement of financial position. LFC currently has approximately USD 58m available to offset tax liabilities on future profits. As a result, LFC's profit for 2015 will again be attributable in full to our shareholders, without any deduction for corporation tax.

LONDON FORFAITING

Strategic Report (continued)

Directors and Staff

During the year, Mr. Majed Essa Al-Ajeel and Mr. Robert Frost were appointed Directors of the Company. Their appointments were approved on 3 August 2015.

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.

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 are covered in note 19 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 Turnover, Trading Income, Portfolio of Forfaiting Assets Held for Trading and Funding are addressed above. An essential element of maintaining LFC's growth and market leading position is the retention of key people and the provision of appropriate training. Consequently, staff turnover is also considered to be a key Non-Financial KPI and monitored closely by Directors. During 2015, LFC had six joiners and five leavers (2014: nine joiners and six leavers).

Risks, uncertainties and Outlook

Key risks to the business in the coming year are the possible effect on business volumes resulting from the downturn in global trade, credit risk issues as a consequence of the continuing downward pressure on the price of commodities, interest rate risk in a rising interest environment for US Dollars and the availability of funding to continue and support the growth of LFC's portfolio of assets.

With LFC's appetite for diverse risks across business sectors and geographies and our global footprint, we continue to be able to source remunerative transactions notwithstanding difficult market conditions. The continued pressure on commodity prices may impact the repayment ability of obligors, particularly those in developing markets, however LFC has considerable experience in managing exposures, in the close monitoring of transactions to ensure performance and use of 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. Our funding is secured from our own capital, our proven ability to attract external funding, and we continue to benefit from strong ongoing support and financing from our immediate parent and our ultimate owners.

Lastly, during 2015, LFC was once again acknowledged as the leading forfaiting company, being awarded the "Best Forfaiting Institution" award from *Trade and Forfaiting Review* magazine and "Best Forfaiting House" by *Global Trade Review*.

Simon Lay
Managing Director
8 February 2016

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 2015.

Results and dividends

LFC's profit after tax for the year 2015 was USD 805,664 (2014: USD 1,004,203). The Directors do not recommend any proposed dividend (2014: 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:

Managing Director - Simon Lay
Chairman/ Director - Margrith Lutschg-Emmenegger (resigned 15 January 15)
Director - Tony Knight
Director - Ian Lucas
Director – Mohamed Fekih Ahmed
Director – Majed Essa Al-Ajeel (appointed 3 August 15)
Director – Robert Frost (appointed 3 August 15)

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.

Report of the Directors (continued)

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's 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

Simon Lay
Director

8 February 2016
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 and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 company and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor’s Report to the Members of London Forfaiting Company Limited

We have audited the Group and parent Company financial statements (the “financial statements”) of London Forfaiting Company Limited for the year ended 31 December 2015 set out on pages 9 to 42.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

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 2015 and of the group's and parent company’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of London Forfaiting Company Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Michael T. McGarry (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

8 February 2016

LONDON FORFAITING

Income statement

For the year ended 31 December 2015

	Note	Group 2015 USD	Group 2014 USD	Company 2015 USD	Company 2014 USD
Memorandum item: **Total value of forfaiting assets held for trading sold/matured during the year**		**369,569,684**	353,288,355	**369,569,684**	353,288,355
Trading Income	*4*	**10,436,159**	10,346,288	**9,535,707**	9,464,379
Administrative expenses	*5*	**(5,637,217)**	(5,737,650)	**(4,983,430)**	(5,116,419)
Other operating income	*6*	**-**	-	**95,690**	132,029
Operating profit before provisions and financing costs		**4,798,942**	4,608,638	**4,647,967**	4,479,989
Movement in provisions	*16*	**-**	665,215	**-**	665,215
Operating profit before financing costs		**4,798,942**	5,273,853	**4,647,967**	5,145,204
Financial income	*7*	**2,169**	4,809	**127,254**	127,185
Financial expenses	*7*	**(3,995,447)**	(4,274,459)	**(3,974,858)**	(4,267,694)
Net financing expense	*7*	**(3,993,278)**	(4,269,650)	**(3,847,604)**	(4,140,509)
Profit before tax		**805,664**	1,004,203	**800,363**	1,004,695
Income tax	*8*	**-**	-	**-**	-
Profit for the year attributable to equity holders of the parent		**805,664**	1,004,203	**800,363**	1,004,695

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

The notes on pages 15 to 42 are an integral part of these financial statements.

LONDON FORFAITING

Statements of comprehensive income

For the year ended 31 December 2015

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Profit for the year	**805,664**	1,004,203	**800,363**	1,004,695
Other comprehensive income, net of income tax				
Foreign currency translation differences for foreign operations	**-**	-	**-**	-
Total comprehensive income for the year attributable to equity holders of the parent	**805,664**	1,004,203	**800,363**	1,004,695

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

The notes on pages 15 to 42 are an integral part of these financial statements.

LONDON FORFAITING

Statements of financial position

As at 31 December 2015

	Note	Group 2015 USD	Group 2014 USD	Company 2015 USD	Company 2014 USD
Assets					
Plant and equipment	*9*	**192,896**	100,714	**157,807**	68,487
Investment in subsidiaries	*10*	**-**	-	**61,030**	74,039
Deferred tax assets	*11*	**6,571,680**	6,571,680	**6,571,680**	6,571,680
Non-current assets		**6,764,576**	6,672,394	**6,790,517**	6,714,206
Forfaiting assets – held for trading	*19*	**355,063,998**	262,856,375	**355,063,998**	262,856,375
Cash and cash equivalents	*13*	**165,399**	184,873	**120,805**	157,102
Trade and other receivables	*12*	**1,060,588**	1,059,688	**1,012,947**	976,270
Current assets		**356,289,985**	264,100,936	**356,197,750**	263,989,747
Total assets		**363,054,561**	270,773,330	**362,988,267**	270,703,953
Equity					
Issued capital	*15*	**40,000,000**	40,000,000	**40,000,000**	40,000,000
Retained earnings		**27,780,292**	26,974,628	**27,772,817**	26,972,454
Total equity attributable to owners of the Company		**67,780,292**	66,974,628	**67,772,817**	66,972,454
Liabilities					
Bank overdraft	*13*	**208,526,277**	165,020,576	**208,526,277**	165,020,576
Other borrowings	*14*	**76,832,308**	31,748,388	**76,832,308**	31,748,388
Trade and other payables	*17*	**9,915,684**	7,029,738	**9,856,865**	6,962,535
Total liabilities		**295,274,269**	203,798,702	**295,215,450**	203,731,499
Total equity and liabilities		**363,054,561**	270,773,330	**362,988,267**	270,703,953

The notes on pages 15 to 42 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 8 February 2016 and were signed on its behalf by:

Simon Lay
Director

Registered Number 1733470

LONDON FORFAITING

Statements of changes in equity

Group	Share Capital USD	General reserves USD	Retained earnings USD	Total equity USD
Balance at 1 January 2014	40,000,000	-	25,970,425	65,970,425
Total comprehensive income for the year	-	-	1,004,203	1,004,203
Transactions with owners of the company				
Contributions and distributions	-	-	-	-
Total contributions and distributions	-	-	-	-
Total transactions with owners of the company	-	-	-	-
Balance at 31 December 2014	40,000,000	-	26,974,628	66,974,628
Balance at 1 January 2015	**40,000,000**	**-**	**26,974,628**	**66,974,628**
Total comprehensive income for the year	**-**	**-**	**805,664**	**805,664**
Transactions with owners of the company				
Contributions and distributions	**-**	**-**	**-**	**-**
Total contributions and distributions	**-**	**-**	**-**	**-**
Total transactions with owners of the company	**-**	**-**	**-**	**-**
Balance at 31 December 2015	**40,000,000**	**-**	**27,780,292**	**67,780,292**

The notes on pages 15 to 42 are an integral part of these financial statements.

LONDON FORFAITING

Statements of changes in equity (continued)

Company	Share Capital USD	General reserves USD	Retained earnings USD	Total equity USD
Balance at 1 January 2014	40,000,000	-	25,967,759	65,967,759
Total comprehensive income for the year	-	-	1,004,695	1,004,695
Transactions with owners of the company				
Contributions and distributions	-	-	-	-
Total contributions and distributions	-	-	-	-
Total transactions with owners of the company	-	-	-	-
Balance at 31 December 2014	40,000,000	-	26,972,454	66,972,454
Balance at 1 January 2015	**40,000,000**	**-**	**26,972,454**	**66,972,454**
Total comprehensive income for the year	**-**	**-**	**800,363**	**800,363**
Transactions with owners of the company				
Contributions and distributions	**-**	**-**	**-**	**-**
Total contributions and distributions	**-**	**-**	**-**	**-**
Total transactions with owners of the company	**-**	**-**	**-**	**-**
Balance at 31 December 2015	**40,000,000**	**-**	**27,772,817**	**67,772,817**

The notes on pages 15 to 42 are an integral part of these financial statements.

LONDON FORFAITING

Statements of cash flows

For the year ended 31 December 2015

	Note	Group		Company	
		2015 USD	2014 USD	2015 USD	2014 USD
Cash flows from operating activities					
Proceeds from sale /maturity of forfaiting assets held for trading		**379,589,607**	366,575,437	**379,589,607**	366,575,437
Purchase of forfaiting assets held for trading		**(464,363,211)**	(351,840,939)	**(464,363,211)**	(351,840,939)
Interest and commissions receipts		**3,936,963**	6,881,446	**4,062,049**	7,003,822
Interest and commissions payments		**(4,799,070)**	(4,905,443)	**(5,699,522)**	(5,787,352)
Payment to employees and suppliers		**(5,712,989)**	(6,929,321)	**(5,037,649)**	(6,214,704)
Cash (outflow)/ inflow before changes in operating assets/liabilities		**(91,348,700)**	9,781,180	**(91,448,726)**	9,736,264
(Increase) / decrease in operating assets:					
Amounts due from parent		**12,957**	2,699	**12,957**	2,699
Prepayments, accrued income and other debtors		**(13,857)**	41,626	**(49,635)**	(15,307)
Increase / (decrease) in operating liabilities:					
Amounts due to parent		**74,972**	(175,447)	**74,972**	(175,447)
Other liabilities		**2,807,568**	(1,790,295)	**2,807,568**	(1,791,346)
Net cash from/ (used in) operating activities before income tax		**2,881,640**	(1,921,417)	**2,845,862**	(1,979,401)
Tax paid		**-**	-	**-**	-
Net cash used in operating activities		**(88,467,060)**	7,859,763	**(88,602,864)**	7,756,863
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(142,203)**	(38,480)	**(131,920)**	(37,926)
Proceeds from disposal of plant and equipment		**168**	-	**168**	-
Repayment from subsidiaries		**-**	-	**108,699**	105,539
Net cash from investing activities		**(142,035)**	(38,480)	**(23,053)**	67,613
Cash flows from financing activities					
Proceeds from the issue of promissory notes		**70,230,339**	58,402,123	**70,230,339**	58,402,123
Repayment of issued promissory notes		**(55,182,780)**	(83,300,933)	**(55,182,780)**	(83,300,933)
Proceeds from money market loan agreements entered		**2,185,553**	4,859,677	**2,185,553**	4,859,677
Repayment of money market loan agreements		**(4,859,677)**	(2,757,480)	**(4,859,677)**	(2,757,480)
Proceeds from repo financing agreements entered		**105,224,950**	53,799,137	**105,224,950**	53,799,137
Repayment of repo financing agreements		**(72,514,465)**	(46,509,622)	**(72,514,465)**	(46,509,622)
Proceeds from bank overdraft		**43,505,701**	7,646,029	**43,505,701**	7,646,029
Dividends paid		**-**	-	**-**	-
Net cash from financing activities		**88,589,621**	(7,861,069)	**88,589,621**	(7,861,069)
Net (decrease) in cash and cash equivalents		**(19,474)**	(39,786)	**(36,297)**	(36,593)
Cash and cash equivalents at 1 January		**184,873**	224,659	**157,102**	193,695
Cash and cash equivalents at 31 December	*13*	**165,399**	184,873	**120,805**	157,102

The notes on pages 15 to 42 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 as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is 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 3.

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 of limited liquidity, 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 8 February 2016.

(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 financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(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 Group's assets (other than deferred tax assets – see policy (p)) are individually assessed at each reporting date to determine whether there is any evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated cash flows of that assets.
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, net gains and losses from the sale of forfaiting assets held for trading, amounts from written off assets, both realised and unrealised fair value adjustments and net fees and commissions income.

Forfaiting yield is the realised and unrealised 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 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 financing costs

Net financing 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.

(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 occurence 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.

LONDON FORFAITING

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Group, with the exception of:

IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2018 financial statements and could, change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to the income statement at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.
The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is not expected to have a pervasive impact on the Group's financial statements.

Notes to the financial statements (continued)

4. Trading income

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Net gain on financial instruments held for trading:				
Forfaiting yield	**12,018,640**	12,902,055	**12,018,640**	12,902,055
Net gains on sale of forfaiting assets held for trading	**379,945**	670,456	**379,945**	670,456
Losses arising from written off assets	**(2,857,143)**	-	**(2,857,143)**	-
Fair valuation of forfaiting assets held for trading and derivative financial instruments	**(2,107,424)**	(8,813,615)	**(2,107,424)**	(8,813,615)
	7,434,018	4,758,896	**7,434,018**	4,758,896
Fees and commissions income	**3,934,794**	6,211,422	**3,934,794**	6,211,422
Fees and commissions expenses	**(932,653)**	(624,030)	**(1,833,105)**	(1,505,939)
	10,436,159	10,346,288	**9,535,707**	9,464,379

Included within the Company's fees and commissions expense is an amount of USD 899,478 (2014: USD 881,909) payable to subsidiaries for marketing services.

5. Administrative expenses

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Staff cost				
- wages, salaries and allowances	**3,824,368**	3,926,254	**3,373,675**	3,498,747
- social security cost	**405,773**	366,620	**383,455**	345,280
- other pension cost	**161,884**	156,162	**149,020**	142,808
Operating lease expenses	**525,928**	487,726	**443,059**	403,800
Auditor's remuneration:				
Audit of these financial statements	**78,290**	79,558	**78,290**	79,558
Amount receivable by auditors and their associates in respect of services to subsidiaries:				
- review of interim information	**66,730**	69,984	**66,730**	69,984
- audit of financial statements of subsidiaries	**7,410**	8,000	**7,410**	8,000
- other services relating to taxation	**27,066**	30,731	**27,066**	30,731
Other professional fees	**373,696**	298,234	**364,917**	287,922
Management fees recharged to parent	**(579,997)**	(579,997)	**(579,997)**	(579,997)
Other administrative expenses	**746,069**	894,378	**669,805**	829,586
	5,637,217	5,737,650	**4,983,430**	5,116,419

	Group		Company	
Average number of employees (including Directors) during the year:	2015	2014	2015	2014
- forfaiting and loan officers	**17**	15	**13**	11
- other staff	**20**	18	**19**	17
	37	33	**32**	28

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

Notes to the financial statements (continued)

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Directors Emoluments	**852,138**	995,928	**852,138**	995,928
Money purchase pension contributions	**41,264**	50,251	**41,264**	50,251
Social costs borne by the Company	**98,997**	119,083	**98,997**	119,083
	992,399	1,165,262	**992,399**	1,165,262

The total aggregate of Directors' renumeration is based on a full year's entitlement. The aggregate of emoluments and amounts receivable for the highest paid Director is USD 385,793 (2014: USD 545,870). Other Directors holding office at the end of the financial year were remunerated by the ultimate parent company, FIMBank plc.

6. Other operating income / (expenses)

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Reversal of impairment on loan to subsidiary	**-**	-	**108,699**	105,539
(Impairment)/ revaluation on investment in subsidiary	**-**	-	**(13,009)**	26,490
	-	-	**95,690**	132,029

The reversal of impairment on loan to subsidiary for USD 108,699 (2014: USD 105,539) 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 2015 (2014: nil).

7. Net financing costs

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Interest income				
Receivable from subsidiaries	**-**	-	**126,961**	126,102
Other	**2,169**	4,809	**293**	1,083
Financial income	**2,169**	4,809	**127,254**	127,185
Interest expense				
Payable to parent	**(2,830,176)**	(3,373,013)	**(2,830,176)**	(3,373,013)
Payable to third parties	**(1,036,241)**	(908,399)	**(1,036,241)**	(908,399)
Net exchange losses	**(129,030)**	6,953	**(108,441)**	13,718
Financial expenses	**(3,995,447)**	(4,274,459)	**(3,974,858)**	(4,267,694)
Net financing expenses	**(3,993,278)**	(4,269,650)	**(3,847,604)**	(4,140,509)

Notes to the financial statements (continued)

8. Income tax

	Group 2015 USD	Group 2014 USD	Company 2015 USD	Company 2014 USD
Current tax				
Tax for non-current year				
Non-current	**-**	-	**-**	-
Deferred tax				
Benefit / (write-down) of tax losses recognised	**-**	-	**-**	-
Income tax	**-**	-	**-**	-

Reconciliation of effective tax rate

	Group 2015 USD	Group 2014 USD	Company 2015 USD	Company 2014 USD
Profit before tax	**805,664**	1,004,203	**800,363**	1,004,695
Tax using the UK Corporation tax rate of 20.25% (2014: 21.50%)	**163,147**	215,904	**162,074**	216,009
Effects of:				
Expenses/(income) disregarded for tax purposes	**3,669**	4,044	**(16,238)**	(25,175)
Depreciation in excess of capital allowances	**10,095**	7,775	**8,592**	12,900
Utilisation of tax losses brought forward	**(176,911)**	(227,723)	**(154,428)**	(203,734)
Income tax	**-**	-	**-**	-

LONDON FORFAITING

Notes to the financial statements (continued)

9. Plant and equipment

Group

	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost			
Balance at 1 January 2014	722,470	137,721	860,191
Additions	38,480	-	38,480
Disposals	(53,827)	-	(53,827)
Balance at 31 December 2014	707,123	137,721	844,844
Balance at 1 January 2015	**707,123**	**137,721**	**844,844**
Additions	**142,203**	**-**	**142,203**
Disposals	**(227)**	**-**	**(227)**
Balance at 31 December 2015	**849,099**	**137,721**	**986,820**
Depreciation			
Balance at 1 January 2014	665,882	95,913	761,795
Depreciation charge for the year	30,428	5,734	36,162
Disposals	(53,827)	-	(53,827)
Balance at 31 December 2014	642,483	101,647	744,130
Balance at 1 January 2015	**642,483**	**101,647**	**744,130**
Depreciation charge for the year	**38,252**	**11,601**	**49,853**
Disposals	**(59)**	**-**	**(59)**
Balance at 31 December 2015	**680,676**	**113,248**	**793,924**
Carrying amounts			
At 1 January 2014	56,588	41,808	98,396
At 31 December 2014	64,640	36,074	100,714
At 1 January 2015	**64,640**	**36,074**	**100,714**
At 31 December 2015	**168,423**	**24,473**	**192,896**

Notes to the financial statements (continued)

9. Plant and equipment (continued)

Company

	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost	633,533	95,080	728,613
Balance at 1 January 2014	37,926	-	37,926
Additions	(51,449)	-	(51,449)
Balance at 31 December 2014	620,010	95,080	715,090
Balance at 1 January 2015	**620,010**	**95,080**	**715,090**
Additions	**131,920**	**-**	**131,920**
Disposals	**(227)**	**-**	**(227)**
Balance at 31 December 2015	**751,703**	**95,080**	**846,783**
Depreciation	556,241	81,812	638,053
Balance at 1 January 2014	53,630	6,369	59,999
Depreciation charge for the year	(51,449)	-	(51,449)
Balance at 31 December 2014	558,422	88,181	646,603
Balance at 1 January 2015	**558,422**	**88,181**	**646,603**
Depreciation charge for the year	**36,063**	**6,369**	**42,432**
Disposals	**(59)**	**-**	**(59)**
Balance at 31 December 2015	**594,426**	**94,550**	**688,976**
Carrying amounts			
At 1 January 2014	77,292	13,268	90,560
At 31 December 2014	61,588	6,899	68,487
At 1 January 2015	**61,588**	**6,899**	**68,487**
At 31 December 2015	**157,277**	**530**	**157,807**

Notes to the financial statements (continued)

10. Investments in subsidiaries

Company

	2015 USD	2014 USD
Cost		
Balances at 1 January	**47,710,291**	47,710,291
Balances at 31 December	**47,710,291**	47,710,291
Impairment		
Balances at 1 January	**47,636,252**	47,662,742
Impairment	**13,009**	-
Reversal	**-**	(26,490)
Balances at 31 December	**47,649,261**	47,636,252
Net investment	**61,030**	74,039

The Group and Company have the following investments in subsidiaries:

	Nature of business	Country of incorporation	Issued ordinary share capital	Ownership interest 2015	Ownership interest 2014
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
Recognised deferred tax assets

Group and Company
Deferred tax assets are attributable to the following:

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Tax value of loss carry-forwards				
Recognised	**6,571,680**	6,571,680	**6,571,680**	6,571,680

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Deferred tax asset brought forward	**6,571,680**	6,571,680	**6,571,680**	6,571,680
Utilised	**(176,911)**	(227,723)	**(154,428)**	(203,734)
Recognition of previously unrecognised tax losses	**176,911**	227,723	**154,428**	203,734
Balance at 31 December	**6,571,680**	6,571,680	**6,571,680**	6,571,680

Recognition of the above deferred tax assets is based on management's five year profit forecasts (2014: three years). It is based on available evidence, including historical levels of profitabilty and reasonable assumptions, which indicates that it is probable that the Company will have future taxable profits against which these assets can be used. The increase from a three year to a five year profit forecast is to bring in line our forecasting period with the parent, FIMBank plc.'s policy of forecasting for five years.

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

Group	Gross amount		Tax value	
	2015	2014	2015	2014
	USD	USD	USD	USD
Tax losses	**28,090,825**	32,433,397	**5,056,348**	6,486,679

Company	Gross amount		Tax value	
	2015	2014	2015	2014
	USD	USD	USD	USD
Tax losses	**21,041,330**	25,384,447	**3,787,439**	5,076,889

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 there from.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on the 19% rate.

LONDON FORFAITING

Notes to the financial statements (continued)

12. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Amounts due from parent	**477,237**	490,194	**477,237**	490,194
Pre-payments and accrued income	**474,188**	416,760	**437,852**	380,659
Other debtors	**109,163**	152,734	**97,858**	105,417
	1,060,588	1,059,688	**1,012,947**	976,270

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	
	2015	2014	2015	2014
	USD	USD	USD	USD
Cash at banks	**150,479**	170,477	**105,890**	142,710
Cash in hand	**14,920**	14,396	**14,915**	14,392
Cash at banks and in hand	**165,399**	184,873	**120,805**	157,102

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 300 million (2014: USD 196 million) and expires on 31 March 2017. This facility is made available in USD, GBP, EUR, JPY and/or AED and is unsecured.

14. Other borrowings
Group and Company

	2015	2014
	USD	USD
Issued promissory notes	**25,646,755**	10,599,196
Money market loans	**2,185,553**	4,859,677
Repos	**49,000,000**	16,289,515
Other borrowings	**76,832,308**	31,748,388

	Carrying amount of transferred liabilities 2015 USD	Carrying amount of transferred assets 2015 USD	Carrying amount of transferred liabilities 2014 USD	Carrying amount of transferred assets 2014 USD
Repos	**49,000,000**	**54,005,146**	16,289,515	19,719,354

The assets transferred under the repurchase agreement are forfaiting assets held for trading with market value of USD 54,005,146 (2014: USD 19,719,354) which have been pledged as collateral under repurchase agreement entered by the Company.

Notes to the financial statements (continued)

15. Share capital

In thousands of shares	Ordinary shares 2015	2014
In issue at 1 January and 31 December – fully paid	**40,000**	40,000

At 31 December 2015, the paid share capital comprised of 40,000,000 (2014: 40,000,000) ordinary shares of USD 1 each.

16. Provisions

The Company settled an outstanding legal case in 2014, which allowed it to reverse USD 665,215 to profit that year.

17. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Amounts due to parent	**458,040**	383,068	**458,040**	383,068
Accruals and deferred income	**9,457,644**	6,646,670	**9,398,825**	6,579,467
	9,915,684	7,029,738	**9,856,865**	6,962,535

Included in accruals and deferred income is USD 0.99m (2014: USD 1.05m) 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 2015, this is expected to be between 8 and 10 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)

18. 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 trading with quoted prices. Accordingly, the Group establishes fair value using a valuation technique based on the discounted expected future principal and interest cash flows. The discount rate is an estimate based on current expected credit margin spreads and interest rates at the reporting date. Inputs to valuation technique reasonably represent market expectation and measures of risk-return factors inherent in the financial instrument. 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 Managing Director 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)

18. 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 2015 plus an adequate credit margin spread to discount forfaiting assets held for trading. The interest rates used are as follows:

	2015	2014
Forfaiting assets held for trading	**0.42% - 9.00%**	0.17% - 8.40%

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

	2015 USD	2014 USD
Balance at 1 January	**262,856,375**	272,831,977
Purchases	**450,292,973**	352,892,501
Settlements	**(369,569,684)**	(353,288,355)
Fair valuation adjustments	**(2,093,015)**	(8,785,790)
Movement in accrued interest	**858,425**	385,027
Exchange differences	**(4,733,307)**	(4,436,128)
Matured but not settled	**20,309,374**	3,257,143
Assets written off	**(2,857,143)**	-
Balance at 31 December	**355,063,998**	262,856,375

LONDON FORFAITING

Notes to the financial statements (continued)

18. 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
2015	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	**165,399**	-	**165,399**	**165,399**
Trade and other receivables	-	**1,060,588**	-	**1,060,588**	**1,060,588**
Liabilities					
Bank overdraft	-	**208,526,277**	-	**208,526,277**	**208,526,277**
Other borrowings	-	**76,832,308**	-	**76,832,308**	**76,832,308**
Trade and other payables	-	**9,915,684**	-	**9,915,684**	**9,915,684**
2014	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	184,873	-	184,873	184,873
Trade and other receivables	-	1,059,688	-	1,059,688	1,059,688
Liabilities					
Bank overdraft	-	165,020,576	-	165,020,576	165,020,576
Other borrowings	-	31,748,388	-	31,748,388	31,748,388
Trade and other payables	-	7,029,738	-	7,029,738	7,029,738

Company	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2015	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	**120,805**	-	**120,805**	**120,805**
Trade and other receivables	-	**1,012,947**	-	**1,012,947**	**1,012,947**
Liabilities					
Bank overdraft	-	**208,526,277**	-	**208,526,277**	**208,526,277**
Other borrowings	-	**76,832,308**	-	**76,832,308**	**76,832,308**
Trade and other payables	-	**9,856,865**	-	**9,856,865**	**9,856,865**
2014	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	157,102	-	157,102	157,102
Trade and other receivables	-	976,270	-	976,270	976,270
Liabilities					
Bank overdraft	-	165,020,576	-	165,020,576	165,020,576
Other borrowings	-	31,748,388	-	31,748,388	31,748,388
Trade and other payables	-	6,962,535	-	6,962,535	6,962,535

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

Notes to the financial statements (continued)

19. 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 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)

19. 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	**2015 USD**	**2014 USD**
Africa & Middle East	**136,215,937**	99,286,487
America	**35,294,740**	49,675,354
Asia	**43,050,645**	31,886,405
Central and Eastern Europe	**41,030,218**	37,283,671
Europe	**99,472,458**	44,724,458
	355,063,998	262,856,375

Counterparty type	**2015 USD**	**2014 USD**
Banks	**153,387,267**	91,596,709
Corporates	**148,437,535**	138,147,249
Sovereign	**53,239,196**	33,112,417
	355,063,998	262,856,375

Notes to the financial statements (continued)

19. 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	2015					2014				
	USD	Euro	Sterling	Other	Total	USD	Euro	Sterling	Other	Total
Assets		USD	USD	USD	USD		USD	USD	USD	USD
- Forfaiting assets held for trading	**258,296,032**	**70,437,801**	**15,698,980**	**10,631,185**	**355,063,998**	217,001,593	42,812,595	3,042,187	-	262,856,375
- Cash and cash equivalents	**62,594**	**6,993**	**53,637**	**42,175**	**165,399**	71,496	85,316	6,509	21,552	184,873
- Trade and other receivables	**963,438**	**3,039**	**85,121**	**8,990**	**1,060,588**	864,677	3,099	146,433	45,479	1,059,688
Total Assets	**259,322,064**	**70,447,833**	**15,837,738**	**10,682,350**	**356,289,985**	217,937,766	42,901,010	3,195,129	67,031	264,100,936
Liabilities										
- Bank overdraft	**127,679,925**	**54,631,047**	**15,762,028**	**10,453,277**	**208,526,277**	130,949,891	30,683,169	3,387,516	-	165,020,576
- Other borrowings	**61,879,205**	**14,953,103**	**-**	**-**	**76,832,308**	17,845,270	13,903,118	-	-	31,748,388
- Trade and other payables	**7,779,113**	**1,198,758**	**705,159**	**232,654**	**9,915,684**	6,025,107	463,375	518,456	22,800	7,029,738
Total liabilities	**197,338,243**	**70,782,908**	**16,467,187**	**10,685,931**	**295,274,269**	154,820,268	45,049,662	3,905,972	22,800	203,798,702

Company	2015					2014				
	USD	Euro	Sterling	Other	Total	USD	Euro	Sterling	Other	Total
Assets		USD	USD	USD	USD		USD	USD	USD	USD
- Forfaiting assets held for trading	**258,296,032**	**70,437,801**	**15,698,980**	**10,631,185**	**355,063,998**	217,001,593	42,812,595	3,042,187	-	262,856,375
- Cash and cash equivalents	**60,175**	**6,993**	**53,637**	**-**	**120,805**	65,277	85,316	6,509	-	157,102
- Trade and other receivables	**924,787**	**3,039**	**85,121**	**-**	**1,012,947**	826,738	3,099	146,433	-	976,270
Total Assets	**259,280,994**	**70,447,833**	**15,837,738**	**10,631,185**	**356,197,750**	217,893,608	42,901,010	3,195,129	-	263,989,747
Liabilities										
- Bank overdraft	**127,679,925**	**54,631,047**	**15,762,028**	**10,453,277**	**208,526,277**	130,949,891	30,683,169	3,387,516	-	165,020,576
- Other borrowings	**61,879,205**	**14,953,103**	**-**	**-**	**76,832,308**	17,845,270	13,903,118	-	-	31,748,388
- Trade and other payables	**7,734,710**	**1,198,757**	**705,159**	**218,239**	**9,856,865**	5,980,703	463,375	518,457	-	6,962,535
Total liabilities	**197,293,840**	**70,782,907**	**16,467,187**	**10,671,516**	**295,215,450**	154,775,864	45,049,662	3,905,973	-	203,731,499

Notes to the financial statements (continued)

19. Financial instruments (continued)

Market risk - Currency risk (continued)

A 10 percent strengthening of the US Dollar against the other currencies as at 31 December 2015 would have increased equity and the profit by USD 84,343 (2014: USD 255,933 profit). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2014. 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 risk of changes in the fair value of the trading assets. 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 hedged item before its maturity, the Group and Company have the means to buy equivalent interest rate futures with a minimum of cost.

In view of the fact that the hedged item is measured at fair value through the profit or loss, fair value hedge accounting is not required. The net fair value adjustment of the interest rate futures at 31 December 2015 was a loss of USD 14,409 (2014: USD 27,825 loss). These amounts are recognised as fair valuation of derivative financial instruments.

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 six 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 2015 would reduce the Group and Company’s profit before tax by approximately USD 432,410 (2014: USD 858,055).

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 300 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. In addition, the Group and Company’s gearings are low in relation to its current level of operations.

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)

19. 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
2015						
Bank overdraft	**208,526,277**	**213,765,500**	**-**	**4,191,378**	**209,574,122**	**-**
Other borrowings	**76,832,308**	**79,291,683**	**35,309,673**	**2,974,134**	**41,007,876**	**-**
Amounts due to parent	**458,040**	**458,040**	**458,040**	**-**	**-**	**-**
Accruals and deferred income	**9,457,644**	**9,457,646**	**2,916,593**	**3,948,709**	**1,154,165**	**1,438,179**
Total	**295,274,269**	**302,972,869**	**38,684,306**	**11,114,221**	**251,736,163**	**1,438,179**
2014						
Bank overdraft	165,020,576	169,152,485	1,652,764	1,652,764	165,846,957	-
Other borrowings	31,748,388	31,889,867	27,007,224	4,882,643	-	-
Amounts due to parent	383,068	383,068	383,068	-	-	-
Accruals and deferred income	6,646,670	6,709,674	753,645	2,222,026	1,218,729	2,515,274
Total	203,798,702	208,135,094	29,796,701	8,757,433	167,065,686	2,515,274

The amount of USD 208,526,277 on the Bank Overdraft is repayable on demand (2014:USD 165,020,576).

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
2015						
Bank overdraft	**208,526,277**	**213,765,500**	**-**	**4,191,378**	**209,574,122**	**-**
Other borrowings	**76,832,308**	**79,291,683**	**35,309,673**	**2,974,134**	**41,007,876**	**-**
Amounts due to parent	**458,040**	**458,040**	**458,040**	**-**	**-**	**-**
Accruals and deferred income	**9,398,825**	**9,398,827**	**2,915,165**	**3,891,318**	**1,154,165**	**1,438,179**
Total	**295,214,450**	**302,914,050**	**38,682,878**	**11,056,830**	**251,736,163**	**1,438,179**
2014						
Bank overdraft	165,020,576	169,152,485	1,652,764	1,652,764	165,846,957	-
Other borrowings	31,748,388	31,889,867	27,007,224	4,882,643	-	-
Amounts due to parent	383,068	383,068	383,068	-	-	-
Accruals and deferred income	6,579,468	6,579,468	713,605	2,131,860	1,218,729	2,515,274
Total	203,731,500	208,004,888	29,756,661	8,667,267	167,065,686	2,515,274

The amount of USD 208,526,277 on the Bank Overdraft is repayable on demand (2014:USD 165,020,576).

Notes to the financial statements (continued)

19. Financial instruments (continued)

Effective interest rates and repricing 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.

	2015						2014					
	Effective interest rate	Total USD	6 months or less USD	6-12 months USD	1-2 years USD	2-5 years USD	Effective interest rate	Total USD	6 months or less USD	6-12 months USD	1-2 years USD	2-5 years USD
Forfaiting assets held for trading												
- USD fixed rate	**5.81**	**95,618,084**	**48,146,809**	**26,937,171**	**13,973,334**	**6,560,770**	5.91	104,598,237	47,422,169	27,659,845	22,117,909	7,398,314
- Euro fixed rate	**3.94**	**9,590,599**	**4,363,420**	**5,227,179**	**-**	**-**	5.61	6,918,421	6,918,421	-	-	-
- GBP fixed rate	**4.54**	**15,698,980**	**11,429,311**	**-**	**4,269,669**	**-**	3.18	3,042,187	3,042,187	-	-	-
- USD floating rate	**5.34**	**162,677,947**	**47,431,379**	**47,558,685**	**37,685,704**	**30,002,179**	5.17	112,403,356	7,080,077	33,288,344	37,615,938	34,418,997
- Euro floating rate	**3.87**	**60,847,203**	**8,755,813**	**43,099,428**	**6,255,315**	**2,736,647**	5.18	35,894,174	35,894,174	-	-	-
- AED floating rate	**3.71**	**10,631,185**	**10,631,185**	**-**	**-**	**-**	-	-	-	-	-	-
		355,063,998	**130,757,917**	**122,822,463**	**62,184,022**	**39,299,596**		262,856,375	100,357,028	60,948,189	59,733,847	41,817,311
Cash and cash equivalents												
-Cash at Bank	**-**	**150,479**	**150,479**	**-**	**-**	**-**	-	170,477	170,477	-	-	-
- Cash in hand	**-**	**14,920**	**14,920**	**-**	**-**	**-**	-	14,396	14,396	-	-	-
		165,399	**165,399**	**-**	**-**	**-**		184,873	184,873	-	-	-
Bank overdraft												
- USD	**1.92**	**(127,679,925)**	**-**	**-**	**(127,679,925)**	**-**	2.17	(130,949,891)	-	-	(130,949,891)	-
- EUR	**1.29**	**(54,631,047)**	**-**	**-**	**(54,631,047)**	**-**	2.01	(30,683,169)	-	-	(30,683,169)	-
- GBP	**2.01**	**(15,762,028)**	**-**	**-**	**(15,762,028)**	**-**	2.51	(3,387,516)	-	-	(3,387,516)	-
- AED	**1.92**	**(10,453,277)**	**-**	**-**	**(10,453,277)**	**-**	-	-	-	-	-	-
		(208,526,277)	**-**	**-**	**(208,526,277)**	**-**		(165,020,576)	-	-	(165,020,576)	-
Other Borrowings	**2.46**	**(76,832,308)**	**(34,646,755)**	**(2,185,553)**	**(40,000,000)**	**-**	2.09	(31,748,388)	(26,888,711)	(4,859,677)	-	-
		69,870,812	**96,276,561**	**120,636,910**	**(186,342,255)**	**39,299,596**		66,272,284	73,653,190	56,088,512	(105,286,729)	41,817,311

Notes to the financial statements (continued)

19. 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.

	2015						2014					
	Effective interest rate	Total USD	6months or less USD	6-12 months USD	1-2 years USD	2-5 years USD	Effective interest rate	Total USD	6months or less USD	6-12 months USD	1-2 years USD	2-5 years USD
Forfaiting assets held for trading												
- USD fixed rate	**5.81**	**95,618,084**	**48,146,809**	**26,937,171**	**13,973,334**	**6,560,770**	5.91	104,598,237	47,422,169	27,659,845	22,117,909	7,398,314
- Euro fixed rate	**3.94**	**9,590,599**	**4,363,420**	**5,227,179**	**-**	**-**	5.61	6,918,421	6,918,421	-	-	-
- GBP fixed rate	**4.54**	**15,698,980**	**11,429,311**	**-**	**4,269,669**	**-**	3.18	3,042,187	3,042,187	-	-	-
- USD floating rate	**5.34**	**162,677,947**	**47,431,379**	**47,558,685**	**37,685,704**	**30,002,179**	5.17	112,403,356	7,080,077	33,288,344	37,615,938	34,418,997
- Euro floating rate	**3.87**	**60,847,203**	**8,755,813**	**43,099,428**	**6,255,315**	**2,736,647**	5.18	35,894,174	35,894,174	-	-	-
- AED floating rate	**3.71**	**10,631,185**	**10,631,185**	**-**	**-**	**-**	-	-	-	-	-	-
		355,063,998	**130,757,917**	**122,822,463**	**62,184,022**	**39,299,596**		262,856,375	100,357,028	60,948,189	59,733,847	41,817,311
Cash and cash equivalents												
- Cash at Bank	**-**	**105,890**	**105,890**	**-**	**-**	**-**	-	142,710	142,710	-	-	-
- Cash in hand	**-**	**14,915**	**14,915**	**-**	**-**	**-**	-	14,392	14,392	-	-	-
		120,805	**120,805**	**-**	**-**	**-**		157,102	157,102	-	-	-
Bank overdraft												
- USD	**1.92**	**(127,679,925)**	**-**	**-**	**(127,679,925)**	**-**	2.17	(130,949,891)	-	-	(130,949,891)	-
- EUR	**1.29**	**(54,631,047)**	**-**	**-**	**(54,631,047)**	**-**	2.01	(30,683,169)	-	-	(30,683,169)	-
- GBP	**2.01**	**(15,762,028)**	**-**	**-**	**(15,762,028)**	**-**	2.51	(3,387,516)	-	-	(3,387,516)	-
- AED	**1.92**	**(10,453,277)**	**-**	**-**	**(10,453,277)**	**-**	-	-	-	-	-	-
		(208,526,277)	**-**	**-**	**(208,526,277)**	**-**		(165,020,576)	-	-	(165,020,576)	-
Other borrowings	**2.46**	**(76,832,308)**	**(34,646,755)**	**(2,185,553)**	**(40,000,000)**	**-**	2.09	(31,748,388)	(26,888,711)	(4,859,677)	-	-
		69,826,218	**96,231,967**	**120,636,910**	**(186,342,255)**	**39,299,596**		66,244,513	73,625,419	56,088,512	(105,286,729)	41,817,311

Notes to the financial statements (continued)

19. 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.

Group and Company

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

	Gross Value 2015 USD	Fair Value 2015 USD	Gross Value 2014 USD	Fair Value 2014 USD
Not past due	**350,244,226**	**349,109,744**	264,409,665	260,219,212
Past due [0-30 days]	**1,868,102**	**1,829,254**	544,882	351,449
Past due [31-120 days]	**-**	**-**	7,500,000	1,500,000
More than 120 days	**22,500,000**	**4,125,000**	7,857,143	785,714
Total	**374,612,328**	**355,063,998**	**280,311,690**	**262,856,375**

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

	2015 USD	2014 USD
Balance at 1 January	**(17,455,315)**	(8,669,525)
Downward fair valuation	**(5,105,510)**	(9,270,204)
Upward fair valuation	**441,066**	484,414
Amounts reversed from written off assets	**2,571,429**	-
Balance at 31 December	**(19,548,330)**	(17,455,315)

The analysis below relates to historical loans and receivables, not carried at fair value, which are fully provided for.

Group and Company	2015 USD	2014 USD
Balance at 1 January	**783,704**	889,379
Assets written off	**(783,704)**	-
Exchange difference	**-**	(105,675)
Balance at 31 December	**-**	783,704

Notes to the financial statements (continued)

19. 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.

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.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit and management, of which the results are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Group.

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)

20. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Less than one year	**405,007**	399,456	**310,207**	376,376
Between one and five years	**895,643**	760,849	**563,713**	760,849
More than five year	**-**	6,691	**-**	6,691
	1,300,650	1,166,996	**873,920**	1,143,916

During the year, USD 525,928 was recognised as an expense in LFC Group's income statement in respect of operating leases (2014: USD 487,726). Similarly, USD 443,059 was recognised in the LFC Company's income statement in 2015 in respect of operating leases (2014: USD 403,800).

21. 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 2015 these totalled USD 44,698,225 (2014: USD 25,574,145) for both the Group and the Company.

22. Related parties

Identity of related parties

The Company has a related party relationship with its subsidiaries, parent and other group entities. Furthermore, it has a relationship with Burgan Bank SAK, Kuwait, as it has a significant shareholding in the parent company, FIMBank plc. 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 USD 65m repo facility with Burgan Bank SAK, Kuwait of which USD 40m has been utilised. Further details of this is included in Note 14 Other Borrowings.

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.

Related party balances

Information on amounts due to/by parent and subsidiary companies are set out in notes 10, 12 and 17 of these financial statements.

23. Parent company and parent undertaking of larger group

FIMBank plc by which the Company is directly wholly owned has it 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.

LONDON FORFAITING

Income statements (unaudited)

Five Year Summary

Group	2015 USD	2014 USD	2013 USD	2012 USD	2011 USD
Total value of forfaiting assets sold/matured during the year	**369,569,684**	353,288,355	360,678,762	404,617,582	316,720,563
Trading income	**10,436,159**	10,346,288	10,609,613	17,450,388	14,862,146
Administrative expenses	**(5,637,217)**	(5,737,650)	(4,776,053)	(5,131,634)	(5,036,663)
Operating profit before provisions & financing costs	**4,798,942**	**4,608,638**	**5,833,560**	**12,318,754**	**9,825,483**
Movement in provisions	**-**	665,215	-	-	-
Operating profit before financing costs	**4,798,942**	**5,273,853**	**5,833,560**	**12,318,754**	**9,825,483**
Net Financing expense	**(3,993,278)**	(4,269,650)	(4,563,642)	(4,234,577)	(3,253,050)
Profit before tax	**805,664**	**1,004,203**	**1,269,918**	**8,084,177**	**6,572,433**
Income tax	**-**	**-**	**-**	**-**	**-**
Profit for the year attributable to equity holders of the parent	**805,664**	**1,004,203**	**1,269,918**	**8,084,177**	**6,572,433**

LONDON FORFAITING

Statements of financial position (unaudited)

Five Year Summary

Group	2015 USD	2014 USD	2013 USD	2012 USD	2011 USD
Assets					
Plant and equipment	**192,896**	100,714	98,396	196,415	323,195
Deferred tax assets	**6,571,680**	6,571,680	6,571,680	6,571,680	6,571,680
Non-current assets	**6,764,576**	**6,672,394**	**6,670,076**	**6,768,095**	**6,894,875**
Forfaiting assets - held for trading	**355,063,998**	262,856,375	272,831,977	245,061,077	230,286,337
Cash and cash equivalents	**165,399**	184,873	224,659	238,448	758,692
Trade and other receivables	**1,060,588**	1,059,688	1,104,013	1,047,077	1,213,513
Current assets	**356,289,985**	**264,100,936**	**274,160,649**	**246,346,602**	**232,258,542**
Total assets	**363,054,561**	**270,773,330**	**280,830,725**	**253,114,697**	**239,153,417**
Equity					
Issued capital	**40,000,000**	40,000,000	40,000,000	17,500,000	17,500,000
General reserve	**-**	-	-	7,782,213	9,760,981
Retained earnings	**27,780,292**	26,974,628	25,970,425	39,418,294	29,355,349
Total equity attributable to owners of the Company	**67,780,292**	**66,974,628**	**65,970,425**	**64,700,507**	**56,616,330**
Liabilities					
Provisions	**-**	-	1,360,910	1,301,685	1,277,262
Non-current liabilities	**-**	**-**	**1,360,910**	**1,301,685**	**1,277,262**
Bank overdraft	**208,526,277**	165,020,576	157,374,547	133,716,768	163,169,845
Other Borrowings	**76,832,308**	31,748,388	47,255,486	42,952,408	8,208,394
Trade and other payables	**9,915,684**	7,029,738	8,869,357	10,443,329	9,881,586
Current liabilities	**295,274,269**	**203,798,702**	**213,499,390**	**187,112,505**	**181,259,825**
Total liabilities	**295,274,269**	**203,798,702**	**214,860,300**	**188,414,190**	**182,537,087**
Total equity and liabilities	**363,054,561**	**270,773,330**	**280,830,725**	**253,114,697**	**239,153,417**

Cashflow statements (unaudited)

Five Year Summary

Group	2015	2014	2013	2012	2011
	USD	USD	USD	USD	USD
Cash flows from operating activities					
Proceeds from sales/maturity of forfaiting assets	379,589,607	366,575,437	383,877,015	415,165,931	324,655,035
Purchase of forfaiting assets	(464,363,211)	(351,840,939)	(407,941,359)	(417,954,073)	(341,421,286)
Interest and commission receipts	3,936,963	6,881,446	7,374,852	6,061,523	5,082,871
Interest and commission payments	(4,799,070)	(4,905,443)	(4,991,207)	(4,799,542)	(3,396,408)
Payments to employees and suppliers	(5,712,989)	(6,929,321)	(5,512,403)	(4,900,989)	(4,737,449)
Cash inflow/ outflow before changes in operating assets / liabilities	(91,348,700)	9,781,180	(27,193,102)	(6,427,150)	(19,817,237)
(Increase)/decrease in operating assets					
- Amounts due from ultimate parent	12,957	2,699	9,940	186,834	(19,316)
- Prepayments, accrued income and other debtors	(13,857)	41,626	(66,877)	(20,398)	41,699
Increase/(decrease) in operating liabilities					
Amount due to ultimate parent	74,972	(175,447)	151,859	(5,771)	36,894
Other liabilities	2,807,567	(1,790,295)	(882,809)	449,795	2,633,749
Net cash used in operating activities before income tax	2,881,639	(1,921,417)	(787,887)	610,460	2,693,026
Income tax paid		-	-	-	-
Net cash used in operating activities	**(88,467,061)**	**7,859,763**	**(27,980,989)**	**(5,816,690)**	**(17,124,211)**
Net cash from investing activities	**(142,034)**	**(38,480)**	**6,343**	**5,509**	**(127,017)**
Cash flows from financing activities					
Proceeds from issued prom notes	70,230,339	58,402,123	90,472,827	55,189,467	44,946,798
Repayment of prom notes	(55,182,780)	(83,300,933)	(63,789,751)	(54,582,931)	(49,407,482)
Other financing agreements entered	107,410,503	58,658,813	146,757,480	95,274,957	62,900,000
Repayment of financing agreements entered	(77,374,142)	(49,267,101)	(169,137,478)	(61,137,479)	(62,900,000)
Net movement in bank overdraft	43,505,701	7,646,029	23,657,779	(29,453,077)	21,674,142
Net cash used in financing activities	**88,589,621**	**(7,861,069)**	**27,960,857**	**5,290,937**	**17,213,458**
Net (decrease)/ increase in cash and cash equivalents	(19,474)	(39,786)	(13,789)	(520,244)	(37,770)
Cash and cash equivalents at beginning of year	184,873	224,659	238,448	758,692	796,462
Cash and cash equivalents at end of year	**165,399**	**184,873**	**224,659**	**238,448**	**758,692**