LONDON FORFAITING
COMPANY LTD

Annual Report 2019

www.forfaiting.com

London Forfaiting Company Limited
15-18 Austin Friars
London EC2N 2HE
Registered Number 1733470

LONDON FORFAITING COMPANY LTD

Contents

Background to our Business

London Forfaiting Company

LFC was established in 1984 and specialises in the delivery of forfaiting and other trade related financing for our corporate and banking clients.

In line with market developments LFC's product range has evolved to encompass value adding products including Credit Default Swaps, Sport & Entertainment financing and Export Credit Agency facilities.

LFC's record of success is built upon close working relationships with clients and our ability to understand and address their trade finance requirements by delivering tailor-made solutions.

Our position as a leader in the global forfaiting market is maintained through our speed of delivery and adaptability, to continuously meet the clients' needs and requirements as they change and develop.

The extensive experience of LFC's team of professionals, with backgrounds from both banking and industry, delivered via a global network of offices, ensures that our clients receive the highest level of service and access to bespoke finance solutions.

What is Forfaiting?

Traditional forfaiting is a cross-border trade financing mechanism designed for use by exporters and importers, but also used directly by banks.

Financing is provided by discounting irrevocable receivables which are generated from an export contract on a "Without Recourse" basis, or through bilateral and syndicated loan facilities.

Forfaiting has evolved beyond the traditional structures into a broad financing technique which can be used to finance virtually any form of assignable and/or transferable receivable, evidenced by a negotiable instrument or contract.

LFC finances a wide range of receivables including those for Goods and Services, Commodities, Technology, Consumer & Capital Equipment, Turn Key Projects, Football Players and Sponsorship Contracts.

Traditional Forfaiting

The receivables of traditional forfaiting transactions are often evidenced by documentation bearing the unconditional, irrevocable and freely transferable guarantee or aval of an acceptable counterparty.

Typical characteristics of a traditional forfaiting transaction are:

- Amounts in excess of USD 1,000,000
- 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
- Credit periods ranging from 60 days to 10 years

Benefits of Traditional Forfaiting

The use of forfaiting allows an exporter to offer extended payment terms to improve the chances of winning an export contract against its competitors.

Exporters largely want to conclude their export sale without exposing themselves to the risks and costs associated with providing financing to their overseas clients, whilst receiving their sales proceeds as soon as possible after shipment.

Forfaiting, is "without-recourse" to the exporter mitigating the non-payment risk of concluding an export contract on extended payment terms and accelerates the receivable into cash upon receipt of the unconditional obligation to pay for the goods at maturity.

Through the use of forfaiting, LFC assists clients selling on credit terms whilst mitigating a range of risks including commercial, political, transfer, interest and exchange risks.

Forfaiting Assets

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

Strategic Report

Principle activities

London Forfaiting Company Limited ("LFC") and its subsidiaries (collectively known as "Group") principle activities are forfaiting and lending delivered to corporate and banking clients through its international network of offices, which include London, New York, Sao Paulo, Moscow, Paris, Cologne, Singapore and Malta. LFC finances international trade through the purchase of bills of exchange, promissory notes, loans, deferred payment letters of credit and other receivables. LFC actively trades its forfaiting transactions with counterparty banks and financial institutions in the secondary market.

The background to these business activities is given on page 2.

Results & Performance

LFC reported lower profit before tax for 2019 of USD 12,512,203 (2018: USD 15,251,328), representing an 18% decrease from the previous year. Trading Income of USD 29,663,165 was comparable with the previous year (2018: USD 29,961,636). However, net financing expense increased significantly to USD 8,096,278 (2018: USD 6,828,271). Administration expenses and tax charge also increased for the year under review.

LFC's net profit after tax for the year attributable to equity holders of the company was USD 10,745,277 (2018: USD 13,845,772). The result includes the net effect from the recovery of a long outstanding non-performing loan successfully negotiated during 2019.

Abundant liquidity and lower margins contributed to the challenging environment in which LFC continued to operate, which was also affected by the impact of subdued commodity prices and increasing US Dollar interest rates for emerging market borrowers.

Throughout the first half of 2019, LFC's forfaiting assets held for trading were lower than the 2018 year end level of USD 347,284,967. However, during the second half of 2019 a reduction in margins on financing expense and new transaction opportunities contributed to LFC's ability to grow assets, which at year end had increased to USD 460,238,536.

Isolated payment delays in 2019 were experienced, resulting in a decreased fair valuation on certain forfaiting assets held for trading. However, stabilisation of the 2018 political uncertainty in Turkey (one of LFC's main markets), made a positive contribution partially off-setting these negative 2019 fair valuations movement.

The net effect of these factors enabled LFC to deliver a profit after tax of USD 10,745,277 to our shareholders in 2019.

New accounting standards

There were new international financial reporting standards effective this year, with the most significant one affecting LFC being IFRS 16. LFC applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

Previously, LFC classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019.

Turnover and trading income

LFC's Forfaiting Yield increased 11% to USD 20,609,904 in 2019 versus USD 18,522,943 in 2018 reflecting the increase in forfaiting assets held for trading. Although the forfaiting portfolio held for trading increased 33% from USD 347,284,967 in 2018 to USD 460,238,536, a large part of this increase occurred in the last quarter of the year.

Strategic Report (continued)

Turnover and trading income (continued)

Fair valuation movements of forfaiting assets held for trading and derivative financial instruments were lower at USD 8,649,515 in 2019 (2018: USD 10,953,809). In addition, LFC recovered an amount under a long outstanding debt in 2019; however, this was significantly lower than the recovery made against an unrelated asset in 2018. Before inclusion of these recoveries, fair valuation of forfaiting assets and derivative financial instruments recorded a year on year increase.

In addition to lower margins there was also a reduction in fee levels on assets purchased during the year; as a result net fees and commission income decreased from USD 484,884 in 2018 to USD 403,746 in 2019.

As a result of the movements in Forfaiting Yield, Fair valuation of forfaiting assets held for trading and derivative financial instruments with the movement in net fees and commissions, Trading Income for the year was maintained at the level achieved in 2018.

Net financing expense

LFC's parent, FIMBank plc. continued to provide funding, by means of a bank overdraft to help support funding of the forfaiting portfolio held for trading. The bank overdraft increased by 91% from USD 130,287,629 in 2018 to USD 248,465,407 in 2019, largely due to the increased forfaiting assets held for trading. As a result, net financing costs increased 19% to US$8,096,278 (2018: USD 6,828,271).

In addition to the bank overdraft from the parent, LFC maintained the level of external borrowings. At year end, external borrowings were USD 112,634,855 from USD 113,202,873 in 2018 a net decrease of 1%.

Administrative expenses

LFC continually monitors its administrative expenses, which were 5% higher for the year at USD 9,054,684 compared to USD 8,628,630 in 2018, largely due to general increases in overall costs.

Deferred Tax Asset

In view of the Company's continued profitability, the Directors again reviewed the value of the deferred tax asset against future income projections. Following this review, the Directors consider the deferred tax asset at USD 5,549,406, as at 31 December 2019 as appropriate and reasonable. During the year, USD 1,140,000 of the deferred tax asset was consumed as a result of the increased profitability of the Company.

Financial risk management

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

Key Performance Indicators

Throughout the year, the Directors monitor the company's Key Performance Indicators (KPI's). Financial KPI's including Trading Income, Portfolio of Forfaiting Assets Held for Trading and Funding are addressed above.

An essential element in maintaining LFC's growth and market leading position is the retention of key personnel and the provision of appropriate training. Consequently, staff turnover is also considered to be a key Non-Financial KPI and is monitored closely by Directors. During 2019, LFC had seven joiners and five leavers from a total staff count of 41 (2018: three joiners and two leavers from a total staff count of 39).

LONDON FORFAITING
COMPANY LTD

Strategic Report (continued)

Brexit, key risks, uncertainties and Outlook

Key risks to the business in the coming year remain credit and interest rate risk exposure of the forfaiting assets held for trading and subdued commodity prices and the impact this may have on the emerging markets. The continued strain in US-Sino relationship will also dampen the volume of trade which may have a limited effect, on the US exports to Latam countries and Chinese exports to Sub-Saharan Africa that LFC finances. Albeit that LFC has very little exposure to trade flows directly to and from the United States and China.

The impact of Brexit on LFC's UK activities has been reviewed and is considered to have a minimal impact upon the activities and performance of the Company. We believe that LFC's appetite for diverse risks across different business sectors and geographies, coupled with our global footprint places LFC in a strong position to manage any identifiable risks associated with Britain withdrawing from the EU.

LFC's exposure is mainly to emerging markets which will have a limited impact from Brexit. Notwithstanding a portion of our forfaiting assets held for trading are Euro denominated, the counterparties are not based in the EU and the recoverability of these exposures are likely to be unaffected by Brexit. Key personnel at LFC will not be affected. LFC's funding is sourced from EU and non-EU entities, as well as its own equity; other than loans from our parent, FIMBank plc, LFC does not place a reliance on EU sourced funding. We do not currently believe the business model will have to change to accommodate Brexit.

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

Going concern

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

Directors and Staff

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

John C. Grech
Chairman
30 January 2020

Simon Lay
Chief Executive Officer

Report of the Directors

The Directors are pleased to present their report and the audited Group and Company financial statements for the year ended 31 December 2019.

Results and dividends

LFC's profit after tax for the year 2019 was USD 10,745,277 (2018: USD 13,845,772). The Directors approved the payment of a scrip dividend of USD 40,000,000 during the year (2018: USD 10,000,000). The scrip dividend was paid from the issue of 40,000,000 bonus shares at USD 1 per share.

Key Performance Indicators

The company's Key Performance Indicators (KPI's) are detailed on page 4.

Political contributions

The Group and Company made no political contributions in 2019, (2018: nil)

Directors

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

Chairman/ Director – John Carmel Grech
Director – Mohamed Fekih Ahmed
Director – Majed Essa Ahmed Al-Ajeel
Director – Robert Frost (resigned 2 July 2019)
Director – Hussain Abdul Aziz Lalani (appointed 18 July 2019)

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

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

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor'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.

John C. Grech
Director
30 January 2020
15-18 Austin Friars
London, EC2N 2HE

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

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

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

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

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

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

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

Opinion

We have audited the consolidated financial statements of London Forfaiting Company limited ("the company") for the year ended 31 December 2019 which comprise the consolidated and parent company statement of financial position as at 31 December 2019, the consolidated and parent company income statement and statement of comprehensive income, the consolidated and parent company statement of cash flows and statement of changes in equity for the year then ended, and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Other matters: The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of deferred tax assets, future availability of funding and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the company or to cease their operations, and as they have concluded that the Group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the company will continue in operation.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Richard Pinks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
30 January, 2020

LONDON FORFAITING COMPANY LTD

Income statements

For the year ended 31 December 2019

	Note	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Trading income	4	**29,663,165**	29,961,636	**28,072,121**	28,653,833
Administrative expenses	5	**(9,054,684)**	(8,628,630)	**(7,852,823)**	(7,715,640)
Other operating income	6	**-**	746,593	**329,792**	1,074,020
Operating profit		**20,608,481**	22,079,599	**20,549,090**	22,012,213
Finance income	7	**563**	1,331	**259**	635
Finance costs	7	**(8,096,841)**	(6,829,602)	**(8,081,264)**	(6,805,697)
Net finance costs	7	**(8,096,278)**	(6,828,271)	**(8,081,005)**	(6,805,062)
Profit before tax		**12,512,203**	15,251,328	**12,468,085**	15,207,151
Income tax expense	8	**(1,766,926)**	(1,405,556)	**(1,766,926)**	(1,405,556)
Profit for the year attributable to equity holders of the company		**10,745,277**	13,845,772	**10,701,159**	13,801,595

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

The notes on pages 16 to 45 are an integral part of these financial statements.

Statements of comprehensive income

For the year ended 31 December 2019

	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Profit for the year	**10,745,277**	13,845,772	**10,701,159**	13,801,595
Other comprehensive income for the year, net of tax				
Total comprehensive income for the year attributable to equity holders of the company	**10,745,277**	13,845,772	**10,701,159**	13,801,595

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

The notes on pages 16 to 45 are an integral part of these financial statements.

LONDON FORFAITING COMPANY LTD

Statements of financial position

As at 31 December 2019

	Note	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Assets					
Plant and equipment	9	**1,773,322**	112,474	**1,719,374**	103,554
Investment in subsidiaries	10	**-**	-	**-**	-
Deferred tax assets	11	**5,549,406**	6,689,406	**5,549,406**	6,689,406
Non-current assets		**7,322,728**	6,801,880	**7,268,780**	6,792,960
Forfaiting assets – held for trading	17	**460,238,536**	347,284,967	**460,238,536**	347,284,967
Trade and other receivables	12	**3,981,070**	2,613,725	**3,860,573**	2,549,999
Cash and cash equivalents	13	**461,713**	228,068	**425,564**	187,941
Current assets		**464,681,319**	350,126,760	**464,524,673**	350,022,907
Total assets		**472,004,047**	356,928,640	**471,793,453**	356,815,867
Liabilities					
Lease liability	19	**1,419,027**	-	**1,372,250**	-
Non-current liabilites		**1,419,027**	-	**1,372,250**	-
Bank overdraft	13	**248,465,407**	130,287,629	**248,465,407**	130,287,629
Loans and borrowings	14	**112,634,855**	113,202,873	**112,634,855**	113,202,873
Trade and other payables	16	**6,747,288**	21,445,945	**6,679,394**	21,384,977
Current liabilities		**367,847,550**	264,936,447	**367,779,656**	264,875,479
Total liabilities		**369,266,577**	264,936,447	**369,151,906**	264,875,479
Equity					
Share capital	15	**90,000,000**	50,000,000	**90,000,000**	50,000,000
Retained earnings		**12,737,470**	41,992,193	**12,641,547**	41,940,388
Total equity attributable to owners of the Company		**102,737,470**	91,992,193	**102,641,547**	91,940,388
Total equity and liabilities		**472,004,047**	356,928,640	**471,793,453**	356,815,867

The notes on pages 16 to 45 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 30 January 2020 and were signed on its behalf by:

John C. Grech
Director
Registered Number 1733470

LONDON FORFAITING COMPANY LTD

Statements of changes in equity

Group	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2018	40,000,000	38,146,421	78,146,421
Total comprehensive income for the year		13,845,772	13,845,772
Transactions with owners of the company			
Bonus shares issued from retained earnings	10,000,000	(10,000,000)	-
Balance at 31 December 2018	50,000,000	41,992,193	91,992,193
Balance at 1 January 2019	**50,000,000**	**41,992,193**	**91,992,193**
Total comprehensive income for the year	**-**	**10,745,277**	**10,745,277**
Transactions with owners of the company	**-**	**-**	**-**
Bonus shares issued from retained earnings	**40,000,000**	**(40,000,000)**	**-**
Balance at 31 December 2019	**90,000,000**	**12,737,470**	**102,737,470**

Company	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2018	40,000,000	38,138,793	78,138,793
Total comprehensive income for the year	-	13,801,595	13,801,595
Transactions with owners of the company			
Bonus shares issued from retained earnings	10,000,000	(10,000,000)	-
Balance at 31 December 2018	50,000,000	41,940,388	91,940,388
Balance at 1 January 2019	**50,000,000**	**41,940,388**	**91,940,388**
Total comprehensive income for the year	**-**	**10,701,159**	**10,701,159**
Transactions with owners of the company	**-**	**-**	**-**
Bonus shares issued from retained earnings	**40,000,000**	**(40,000,000)**	**-**
Balance at 31 December 2019	**90,000,000**	**12,641,547**	**102,641,547**

The notes on pages 16 to 45 are an integral part of these financial statements.

LONDON FORFAITING COMPANY LTD

Statements of cash flows

For the year ended 31 December 2019

	Note	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Cash flows from operating activities					
Net proceeds from purchase, sale & maturity of forfaiting assets held for trading including realised forfaiting yield		**(92,343,665)**	(76,252,880)	**(92,343,665)**	(76,252,880)
Interest income received		**563**	1,331	**259**	635
Interest expense paid		**(8,072,101)**	(6,829,602)	**(8,056,524)**	(6,805,697)
Fees and commissions received		**914,833**	2,032,717	**914,833**	1,286,124
Fees and commissions paid		**(511,087)**	(801,240)	**(2,102,131)**	(2,109,043)
Realised fair value gain on forfaiting assets held for trading		**8,491,232**	5,230,043	**8,491,232**	5,230,043
Payment to employees and suppliers		**(8,610,997)**	(8,213,938)	**(7,508,190)**	(7,671,180)
Cash (outflow) before changes in operating assets/liabilities		**(100,131,222)**	(84,833,569)	**(100,604,186)**	(86,321,998)
(Increase) / decrease in operating assets:					
Amounts due from parent		**391,857**	(4,690)	**391,857**	(4,690)
Prepayments, accrued income and other debtors		**(1,600,919)**	7,514,805	**(1,544,148)**	8,626,696
Increase / (decrease) in operating liabilities:					
Amounts due to parent		**(14,936,202)**	14,839,288	**(14,936,202)**	14,839,288
Other liabilities		**459,505**	(3,990,851)	**452,579**	(3,974,561)
Net cash from/ (used in) operating activities before income tax		**(15,685,759)**	18,358,552	**(15,635,914)**	19,486,733
Tax paid		**(848,886)**	(202,017)	**(848,886)**	(212,821)
Net cash used in operating activities		**(116,665,867)**	(66,677,034)	**(117,088,986)**	(67,048,086)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(490,646)**	(65,731)	**(483,768)**	(61,684)
Proceeds from disposal of plant and equipment		**115**	-	**115**	-
Recovery from subsidiaries		**-**	-	**329,792**	368,321
Net cash from investing activities		**(490,531)**	(65,731)	**(153,861)**	306,637
Cash flows from financing activities					
Net receipts from bank overdraft		**118,177,778**	81,050,407	**118,177,778**	81,050,407
Net payments of external borrowings		**(568,018)**	(20,447,423)	**(568,018)**	(20,447,423)
Payment of lease liability		**(219,717)**	-	**(129,290)**	-
Net cash from financing activities		**117,390,043**	60,602,984	**117,480,470**	60,602,984
Net (decrease)/ increase in cash and cash equivalents		**233,645**	(6,139,781)	**237,623**	(6,138,465)
Cash and cash equivalents at 1 January		**228,068**	6,367,849	**187,941**	6,326,406
Cash and cash equivalents at 31 December	**13**	**461,713**	228,068	**425,564**	187,941

The notes on pages 16 to 45 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 15-18 Austin Friars, London EC2N 2HE. The financial statements of the Company for the year ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in forfaiting, a further background to our business is shown on page 2.

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 3 to 5.
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 30 January 2020.

(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 - subsidiaries

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

(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, tenor, amount 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; this is further explained in Note 17. Having assessed the business model requirements under IFRS9, this forfaiting assets portfolio was classified as held for trading. This means that the instruments will be held at Fair Value through Profit and Loss.

(d) Derivative financial instruments

The Group from time to time 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 re-measurement 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.

(e) Forfaiting assets write off

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)
(f) 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 lease term and their useful lives. The estimated useful lives are as follows:

- land and buildings 5 years
- 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.

(g) Investments in subsidiaries
Investments in subsidiaries are measured at cost in accordance with the requirement of IAS 27 and tested for impairment annually.

(h) Trade and other receivables
These financial assets meet the criteria of amortised cost under IFRS9, with solely payment of principal and interest being receivable. As such these instruments are stated at amortised cost under IFRS9. Expected Credit Losses are expected as per the staging criteria set out in accounting policy (j).

(i) 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 and Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. These financial assets meet the criteria of amortised cost under IFRS 9, with solely payment of principal and interest being receivable. As such these instruments are stated at amortised cost under IFRS 9. Expected Credit Losses are expected as per the staging criteria set out in accounting policy (j).

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(j) Impairment

IFRS9 replaced the "incurred loss" model in IAS 39 with an expected credit loss (ECL) model. The impairment model applies to all financial assets and commitments measured at amortised cost and debt investments. Under IFRS9 credit losses are recognised using an ECL model that incorporates forward looking information. The financial assets held at amortised costs consists of trade and other receivables and cash and cash equivalents.

The expected credit loss model introduces a three-stage approach to impairment as follows:

Stage 1 – the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;

Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and

Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired

The measurement of ECL is calculated using three main components: (i) probability of default (PD (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

The Company assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Accounts that are 30 days or more past due are automatically considered to be in Stage 2. The 90 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 3.

(k) 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.

(l) 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.

(m) 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.

(n) Trade and other payables

Trade and other payables are stated at amortised cost.

(o) Trading income

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

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

The Group earns fees and commissions income from the provision of financial services to its customers. These fees are recognised when the Company satisfies the performance obligation of the contract with the customer. The fees and commissions income include fees for business introductions, Proex financing, whilst the fees and commissions expense include nostro maintenance fees and fees payable for insurance.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(o) Trading income (continued)

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. This is an economic hedge and LFC has not applied hedge accounting requirements.

As at the reporting date the Group has recognised the fair value of its forfaiting assets held for trading and derivative financial instruments. Fair value of forfaiting assets held for trading is calculated using the credit worthiness, amount, tenor 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.

(p) Expenses

(i) Operating lease payments (policy applicable before 1 January 2019)

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

(ii) Net finance costs

Net finance costs comprise interest payable and foreign exchange gains and losses.
Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculates using the estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(q) Leases (policy applicable from 1 January 2019)

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.
At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

-As a lessee
At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. However, for the leases of Land and Building, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(q) Leases (policy applicable from 1 January 2019) (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise,
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.
The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

The Group does not and has not recognised right-of-use assets and lease liabilities for lease of low-value assets and short-term leases

(r) 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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(r) Income tax (continued)

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.

(s) Segment Reporting

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

(t) 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.

(u) Inter-group financial instruments

Where the Group and/or Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group and/ or Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Group/ Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

As at 31 December 2019, there are no intercompany guarantees, (2018: nil)

(v) Forfaiting asset insurance

LFC takes out third party insurance against certain loans. The costs of these policies are taken into the fair value of the instruments. Any potential income associated to the policy is not recognised until it is virtually certain that the policy will pay out to LFC.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(w) New standards and interpretations adopted

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed (q). Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

As a lessee, the Group leases many assets namely property. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired. The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)
(w) New standards and interpretations adopted (continued)

C. As a lessor
The Group does not lease out property or equipment, including own property and right-of-use assets.

D. Impact on financial statements
i. Impact on transition
On transition to IFRS 16, the Group recognised additional right-of-use assets, including investment property, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is immaterial.

(x) New standards and interpretations not yet adopted
Other standards
A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.
- Amendments to References to Conceptual Framework in IFRS Standards, (effective date 1 January 2020).
- Definition of a Business (Amendments to IFRS 3) , (effective date to be confirmed).
- Definition of Material (Amendments to IAS 1 and IAS 8), (effective date 1 January 2020).
- IFRS 17 Insurance Contracts, (effective date to be confirmed).

4. Trading income

	Group		Company	
	2019 USD	2018 USD	2019 USD	2018 USD
Net gain on financial instruments held for trading:				
Forfaiting yield	**20,609,904**	18,522,943	**20,609,904**	18,522,943
Fair valuation of forfaiting assets held for trading and derivative financial instruments	**8,649,515**	10,953,809	**8,649,515**	10,953,809
	29,259,419	29,476,752	**29,259,419**	29,476,752
Fees and commissions income	**914,833**	1,286,124	**914,833**	1,286,124
Fees and commissions expenses	**(511,087)**	(801,240)	**(2,102,131)**	(2,109,043)
	29,663,165	29,961,636	**28,072,121**	28,653,833

Included within the Company's fees and commissions expense is an amount of USD 1,591,494 (2018: USD 1,308,041) payable to subsidiaries for marketing services.

Notes to the financial statements (continued)

5. Administrative expenses

	Group		Company	
	2019	2018	2019	2018
Staff cost	USD	USD	USD	USD
Wages, salaries and allowances	**5,217,811**	5,549,549	**4,387,706**	4,915,929
Social security costs	**583,592**	512,015	**522,895**	469,248
Pension costs	**133,155**	168,370	**113,763**	153,066
Operating lease expenses	**359,432**	638,016	**300,940**	500,675
Auditor's remuneration:				
Audit of these financial statements	**112,161**	121,606	**112,161**	121,606
Amount receivable by auditors and their associates in respect of services :				
- review of interim information	**65,591**	57,085	**65,591**	57,085
- audit of financial statements of subsidiaries	**7,871**	7,611	**7,871**	7,611
- other services relating to taxation	**2,739**	2,709	**2,739**	2,709
Other professional fees	**473,962**	353,433	**460,225**	357,695
Management fees paid to parent	**-**	241,092	**-**	241,092
Other administrative expenses	**2,098,370**	977,144	**1,878,932**	888,924
	9,054,684	8,628,630	**7,852,823**	7,715,640

Pension cost represents contribution payable by the Group to a defined contribution pension scheme.
In the prior year management fees to parent were shown net of fees received for marketing whereas this year the fees are shown gross in other operating income.

	Group		Company	
Total number of employees at the end of the year:	2019	2018	2019	2018
- forfaiting and loan officers	**17**	15	**13**	12
- other staff	**24**	24	**21**	21
	41	39	**34**	33

As at 31 December 2019, there were 4 employees in London Forfaiting Americas Inc. (2018: 4 employees) and 2 in London Forfaiting do Brasil Ltda. (2018: 2 employees).

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Group		Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Directors' Remuneration	**40,000**	40,000	**40,000**	40,000
Company contributions to money purchase pension plans	**-**	-	**-**	-
	40,000	40,000	**40,000**	40,000

The aggregate of emoluments and amounts receivable for the highest paid Director is USD 28,000 (2018: USD 28,000). The directors of LFC include employees of other KIPCO group companies whose remuneration is borne by these companies and similarly, there are employees remunerated by the Company who act as directors of other companies in the FIMBank group. For those directors not compensated by the Company a portion of their total compensation has been allocated.

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

6. Other operating income

	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Management fee from the parent	-	746,593	-	746,593
Recovery of loan to subsidiary	-	-	329,792	368,321
Impairment on investment in subsidiary	-	-	-	(40,894)
	-	746,593	329,792	1,074,020

The management fee from the parent was discontinued 1 January 2019.
The recovery of the loan to subsidiary relates to London Forfaiting Company Limited's loan to its subsidiary of USD 5,943,493, which had been written off in 2011. As at 31 December 2019, the Company has recovered USD 948,369.

7. Net finance costs

	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Interest income				
Other	563	1,331	259	635
Financial income	563	1,331	259	635
Interest expense				
Payable to parent	(4,955,560)	(3,839,180)	(4,955,560)	(3,839,180)
Payable to third parties	(2,987,712)	(2,917,418)	(2,987,712)	(2,917,418)
Lease interest expense	(24,740)	-	(20,366)	-
Net exchange losses	(128,829)	(73,004)	(117,626)	(49,099)
Financial expenses	(8,096,841)	(6,829,602)	(8,081,264)	(6,805,697)
Net financing expenses	(8,096,278)	(6,828,271)	(8,081,005)	(6,805,062)

8. Income tax

	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Current tax expense				
Current year	626,926	835,556	626,926	835,556
Deferred tax expense				
Benefit of tax losses recognised	1,140,000	570,000	1,140,000	570,000
Income tax expense	1,766,926	1,405,556	1,766,926	1,405,556

Reconciliation of effective tax rate

	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Profit before tax	12,512,203	15,251,328	12,468,085	15,207,151
Tax using the UK Corporation tax rate of 19% (2018: 19 %)	2,377,319	2,897,752	2,368,936	2,889,359
Effects of:				
Expenses/(income) disregarded for tax purposes	3,016	4,462	2,733	4,355
Depreciation in excess of capital allowances	84,300	10,014	65,480	9,651
Utilisation of tax losses brought forward	(697,709)	(1,506,672)	(670,223)	(1,497,809)
Recognition of previously unrecognised tax losses	-	-	-	-
Income tax expense	1,766,926	1,405,556	1,766,926	1,405,556

Notes to the financial statements (continued)

8. Income tax (continued)

Tax liability reconciliation (Group and Company)

	2019 USD	2018 USD
Balances at 1 January	**680,345**	72,818
Payments to the tax authorities	**(848,886)**	(202,017)
Exchange differences	**3,704**	(15,208)
Charge for the year	**626,926**	824,752
Balances at 31 December	**462,089**	680,345

9. Plant and equipment

Group

	Land and Buildings USD	Leasehold Improvements USD	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost					
Balance at 1 January 2018	-	161,564	577,830	95,077	834,471
Additions	-	-	65,731	-	65,731
Disposals	-	-	-	-	-
Balance at 31 December 2018	-	161,564	643,561	95,077	900,202
Balance at 1 January 2019	**-**	**161,564**	**643,561**	**95,077**	**900,202**
Recognition of right-of use asset on initial application of IFRS 16	**1,614,004**	**-**	**-**	**-**	**1,614,004**
Additions	**-**	**379,638**	**111,008**	**-**	**490,646**
Disposals	**-**	**(161,564)**	**(140,263)**	**-**	**(301,827)**
Balance at 31 December 2019	**1,614,004**	**379,638**	**614,306**	**95,077**	**2,703,025**
Depreciation					
Balance at 1 January 2018	-	161,564	478,380	95,077	735,021
Depreciation charge for the year	-	-	52,707	-	52,707
Disposals	-	-	-	-	-
Balance at 31 December 2018	-	161,564	531,087	95,077	787,728
Balance at 1 January 2018	**-**	**161,564**	**531,087**	**95,077**	**787,728**
Depreciation charge for the year	**358,959**	**16,668**	**68,060**	**-**	**443,687**
Disposals	**-**	**(161,564)**	**(140,148)**	**-**	**(301,712)**
Balance at 31 December 2019	**358,959**	**16,668**	**458,999**	**95,077**	**929,703**
Carrying amounts					
At 1 January 2018	-	-	99,450	-	99,450
At 31 December 2018	-	-	112,474	-	112,474
At 1 January 2019	**-**	**-**	**112,474**	**-**	**112,474**
At 31 December 2019	**1,255,045**	**362,970**	**155,307**	**-**	**1,773,322**

At 31 December 2019, Land and Buildings includes the right-of-use assets of USD 1,255,045.

Notes to the financial statements (continued)

9. Plant and equipment (continued)
Company

	Land and Buildings	Leasehold Improvements	Fixtures, fittings and equipment	Motor Vehicles	Total
	USD	USD	USD	USD	USD
Cost					
Balance at 1 January 2018	-	161,564	478,759	69,604	709,927
Additions	-	-	61,684	-	61,684
	-	-	-	-	-
Balance at 31 December 2018	-	161,564	540,443	69,604	771,611
Balance at 1 January 2019	**-**	**161,564**	**540,443**	**69,604**	**771,611**
Recognition of right-of use asset on initial application of IFRS 16	**1,476,800**	**-**	**-**	**-**	**1,476,800**
Additions	**-**	**379,638**	**104,130**	**-**	**483,768**
Disposals	**-**	**(161,564)**	**(140,263)**	**-**	**(301,827)**
Balance at 31 December 2019	**1,476,800**	**379,638**	**504,310**	**69,604**	**2,430,352**
Depreciation					
Balance at 1 January 2018	-	161,564	386,093	69,604	617,261
Depreciation charge for the year	-	-	50,796	-	50,796
	-	-	-	-	-
Balance at 31 December 2018	-	161,564	436,889	69,604	668,057
Balance at 1 January 2019	**-**	**161,564**	**436,889**	**69,604**	**668,057**
Depreciation charge for the year	**267,490**	**16,668**	**60,475**	**-**	**344,633**
Disposals	**-**	**(161,564)**	**(140,148)**	**-**	**(301,712)**
Balance at 31 December 2019	**267,490**	**16,668**	**357,216**	**69,604**	**710,978**
Carrying amounts					
At 1 January 2018	-	-	92,666	-	92,666
At 31 December 2018	-	-	103,554	-	103,554
At 1 January 2019	**-**	**-**	**103,554**	**-**	**103,554**
At 31 December 2019	**1,209,310**	**362,970**	**147,094**	**-**	**1,719,374**

At 31 December 2019, Land and Buildings includes the right-of-use assets of USD 1,209,310.

Notes to the financial statements (continued)

10. Investments in subsidiaries

Company

	2019 USD	2018 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	**47,710,291**	47,669,397
Impairment	**-**	40,894
Balances at 31 December	**47,710,291**	47,710,291
Net investment	**-**	-

The Group and Company have the following investments in subsidiaries:

	Nature of business	Country of incorporation	Issued ordinary share capital	Ownership interest 2019	Ownership interest 2018
London Forfaiting International Limited	Holding company	Great Britain	USD 1,000	100%	100%
London Forfaiting Americas Inc. *	Marketing	United States of America	USD 250,000	100%	100%
London Forfaiting do Brasil Ltda. *	Marketing	Brazil	BRL 4,045,656	100%	100%

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

Notes to the financial statements (continued)

11. Deferred tax assets

Group and Company

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Tax value of loss carry-forwards Recognised	**5,549,406**	6,689,406	**5,549,406**	6,689,406

	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Deferred tax asset brought forward	**6,689,406**	7,259,406	**6,689,406**	7,259,406
Utilised	**(1,140,000)**	(570,000)	**(1,140,000)**	(570,000)
Balance at 31 December	**5,549,406**	6,689,406	**5,549,406**	6,689,406

Recognition of the above deferred tax assets is based on management's five year profit forecasts (2018: 5 years). It is based on available evidence, including historical levels of profitability and reasonable assumptions, which indicates that it is probable that the Company will have future taxable profits against which these assets can be used.

Unrecognised deferred tax assets

All tax losses have been recognised through the deferred tax asset of USD 5,549,406 (2018: USD 6,689,406)

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

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2019.

12. Trade and other receivables

	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Amounts due from parent	**11,826**	403,683	**11,826**	403,683
Pre-payments and accrued income	**893,762**	433,628	**858,059**	397,972
Other debtors	**3,075,482**	1,776,414	**2,990,688**	1,748,344
	3,981,070	2,613,725	**3,860,573**	2,549,999

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

LONDON FORFAITING
COMPANY LTD

Notes to the financial statements (continued)

13. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Cash at banks	**444,357**	208,536	**408,213**	168,414
Cash in hand	**17,356**	19,532	**17,351**	19,527
Cash at banks and in hand	**461,713**	228,068	**425,564**	187,941

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

Bank overdraft (Group and Company)

The overdraft facility, from the parent company, is the equivalent of USD 350 million (2018: USD 350 million). This facility is made available in USD, GBP, EUR, JPY and AED and is unsecured. The amount of USD 248,465,407 was drawn on the facility on the 31 December 2019 (2018: USD 130,287,629).

14. Other borrowings

Group and Company

	2019	2018
	USD	USD
Issued promissory notes	**79,550,865**	72,575,583
Money market loans	**33,083,990**	40,627,290
Other borrowings	**112,634,855**	113,202,873

15. Share capital

In thousands of shares	2019	2018
In issue at 1 January and 31 December – fully paid	**90,000**	50,000

At 31 December 2019, the paid share capital comprised of 90,000,000 (2018: 50,000,000) ordinary shares of USD 1 each. During the year, the Company paid its sole shareholder a scrip dividend of USD 40,000,000 (2018: 10,000,000) through the issue of 40,000,000 bonus shares at USD 1 per share.

16. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Amounts due to parent	**442,914**	15,379,116	**442,914**	15,379,116
Accruals and deferred income	**5,474,417**	6,066,829	**5,406,523**	6,005,861
Cash collateral	**829,957**	-	**829,957**	-
	6,747,288	21,445,945	**6,679,394**	21,384,977

Included in accruals and deferred income is USD 0.8m (2018: USD 0.8m) of fees received on trades entered into where the company has a continued involvement. Continued involvement includes annual reviews in which additional charges may be incurred and amounts may be repaid. As at 31 December 2019, this is expected to be 10 years (2018: 10 years). The amount represents management's best estimate of the future payables. Other amounts included in accruals and deferred income include overhead accruals of USD 3.5m (2018: USD 3.0m) with the most significant amounts being for staff costs and professional fees. Furthermore, there is a tax liability of USD 462,089 (2018: USD 680,345) in accruals and deferred income.

Amounts due to parent yield no interest. These payables are unsecured and have no fixed date for repayment. Within amounts due to parent is USD 12,094 (2018: USD16,875) relating to interest rate futures which the parent manages on behalf of the Group and Company.

Notes to the financial statements (continued)

17. Fair values of financial instruments

Fair values

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

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

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

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

Forfaiting assets held for trading

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

When available, the Group measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regular occurring market transactions on an arm's length basis. However, forfaiting assets are not actively traded with quoted prices. Accordingly, the Group establishes fair value using a valuation model. On each and every forfaiting asset held for trading and at the reporting date, management assess the following characteristics

- Counterparty credit worthiness,
- Transaction size,
- Transaction currency,
- Transaction type,
- Repayment profile
- Contractual and current interest rates

to discount expected future principal and interest cash flows, with the resulting gain or loss taken to the income statement. This model is regularly stressed tested and back tested for appropriateness.

The Group has an established control framework with respect to the measurement of fair values. This framework includes reports to the Chief Executive Officer and the Head of Trading who have 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 for approval and to the Board Risk Committee of the parent company, FIMBank plc. for consolidation.

Due to the unobservable nature of the assumptions used, in particular the discount rate, the valuation methodology is considered level 3 as per IFRS 13 classification.

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

17. Fair values of financial instruments - continued

Interest rate future contracts

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

Interest rates used for determining fair value

The Group and Company use the LIBOR yield curve as of 31 December 2019 plus an adequate credit margin spread to discount forfaiting assets held for trading. The interest rates used are as follows:

	2019	2018
Forfaiting assets held for trading	**2.50% - 13.94%**	1.50% - 12.83%

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

	2019 USD	2018 USD
Balance at 1 January	**347,284,967**	252,509,144
Purchases	**602,552,092**	446,850,295
Settlements	**(497,523,101)**	(343,307,478)
Fair valuation adjustments	**180,258**	1,951,789
Movement in accrued interest	**1,633,080**	1,409,932
Exchange differences	**(329,895)**	(1,711,825)
Overdue now settled	**-**	(10,291,030)
Matured but not settled during the year	**6,441,135**	-
Asset written off	**-**	(125,860)
Balance at 31 December	**460,238,536**	347,284,967

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

17. Fair values of financial instruments – continued

Financial instruments not measured at fair value

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

Group	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2019	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	461,713	-	461,713	461,713
Trade and other receivables	-	3,981,070	-	3,981,070	3,981,070
Liabilities					
Lease Liability	-	1,419,027	-	1,419,027	1,419,027
Bank overdraft	-	248,465,407	-	248,465,407	248,465,407
Other borrowings	-	112,634,855	-	112,634,855	112,634,855
Trade and other payables	-	6,747,288	-	6,747,288	6,747,288
2018	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	228,068	-	228,068	228,068
Trade and other receivables	-	2,613,725	-	2,613,725	2,613,725
Liabilities					
Lease Liability	-	-	-	-	-
Bank overdraft	-	130,287,629	-	130,287,629	130,287,629
Other borrowings	-	113,202,873	-	113,202,873	113,202,873
Trade and other payables	-	21,445,945	-	21,445,945	21,445,945

Company	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2019	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	425,564	-	425,564	425,564
Trade and other receivables	-	3,860,573	-	3,860,573	3,860,573
Liabilities					
Lease Liability	-	1,372,250	-	1,372,250	1,372,250
Bank overdraft	-	248,465,407	-	248,465,407	248,465,407
Other borrowings	-	112,634,855	-	112,634,855	112,634,855
Trade and other payables	-	6,679,394	-	6,679,394	6,679,394
2018	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	187,941	-	187,941	187,941
Trade and other receivables	-	2,549,999	-	2,549,999	2,549,999
Liabilities					
Lease Liability	-	-	-	-	-
Bank overdraft	-	130,287,629	-	130,287,629	130,287,629
Other borrowings	-	113,202,873	-	113,202,873	113,202,873
Trade and other payables	-	21,384,977	-	21,384,977	21,384,977

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

Notes to the financial statements (continued)

18. Financial instruments

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

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board in conjunction with the Board Risk Committee 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 monitored by the Risk Management Department and reported to the Board of Directors.

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

Notes to the financial statements (continued)

18. Financial instruments (continued)

Market risk

Market risk embodies the potential for both losses and gains and comprises price risk, currency risk and interest rate risk.
The Group and Company's strategy on the management of risk, to which it is exposed as a result of its trading activities, is driven by the Board's objective to grow the size and increase the turnover of its forfaiting portfolio which necessarily requires an increase in the Group and Company's funding sources.

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

Market risk – Price risk

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

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

Forfaiting assets held for trading

Region	**2019 USD**	**2018 USD**
Americas	**114,352,441**	63,251,532
Asia	**46,616,035**	54,445,054
Central and Eastern Europe	**4,358,552**	8,030,219
Middle East & North Africa	**23,173,648**	15,262,104
Rest of Europe	**171,256,027**	98,010,914
Sub-Saharan Africa	**100,481,833**	108,285,144
	460,238,536	347,284,967

Counterparty type	**2019 USD**	**2018 USD**
Banks	**206,780,673**	213,192,122
Corporates	**212,526,705**	83,839,902
Sovereign	**40,931,158**	50,252,943
	460,238,536	347,284,967

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

18. Financial instruments (continued)

Market risk – Currency risk

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

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

Group			2019					2018		
	USD	Euro	Sterling	Other	Total	USD	Euro	Sterling	Other	Total
Assets		USD	USD	USD	USD		USD	USD	USD	USD
- Forfaiting assets held for trading	319,190,719	140,447,391	600,426	-	460,238,536	272,067,218	74,676,133	541,616	-	347,284,967
- Cash and cash equivalents	156,261	43,671	254,440	7,341	461,713	23,740	8,865	158,606	36,857	228,068
- Trade and other receivables	2,412,935	1,346,084	139,474	82,577	3,981,070	2,395,380	120,220	72,132	25,993	2,613,725
Total Assets	321,759,915	141,837,146	994,340	89,918	464,681,319	274,486,338	74,805,218	772,354	62,850	350,126,760
Liabilities										
- Lease Liabilities	46,777	-	1,315,825	56,425	1,419,027	-	-	-	-	-
- Bank overdraft	189,094,605	59,765,565	(394,763)	-	248,465,407	92,808,598	37,038,676	440,355	-	130,287,629
- Other borrowings	30,211,472	82,423,383	-	-	112,634,855	76,085,021	37,117,852	-	-	113,202,873
- Trade and other payables	5,952,860	112,247	658,692	23,489	6,747,288	20,374,856	594,801	459,722	16,566	21,445,945
Total liabilities	225,305,714	142,301,195	1,579,754	79,914	369,266,577	189,268,475	74,751,329	900,077	16,566	264,936,447

Company			2019					2018		
	USD	Euro	Sterling	Other	Total	USD	Euro	Sterling	Other	Total
Assets		USD	USD	USD	USD		USD	USD	USD	USD
- Forfaiting assets held for trading	319,190,719	140,447,391	600,426	-	460,238,536	272,067,218	74,676,133	541,616	-	347,284,967
- Cash and cash equivalents	127,453	43,671	254,440	-	425,564	20,470	8,865	158,606	-	187,941
- Trade and other receivables	2,375,015	1,346,084	139,474	-	3,860,573	2,357,647	120,220	72,132	-	2,549,999
Total Assets	321,693,187	141,837,146	994,340	-	464,524,673	274,445,335	74,805,218	772,354	-	350,022,907
Liabilities										
- Lease Liabilities	-	-	1,315,825	56,425	1,372,250	-	-	-	-	-
- Bank overdraft	189,094,605	59,765,565	(394,763)	-	248,465,407	92,808,598	37,038,676	440,355	-	130,287,629
- Other borrowings	30,211,472	82,423,383	-	-	112,634,855	76,085,021	37,117,852	-	-	113,202,873
- Trade and other payables	5,908,455	112,247	658,692	-	6,679,394	20,330,454	594,801	459,722	-	21,384,977
Total liabilities	225,214,532	142,301,195	1,579,754	56,425	369,151,906	189,224,073	74,751,329	900,077	-	264,875,479

Notes to the financial statements (continued)

18. Financial instruments (continued)

Market risk - Currency risk (continued)

A 10 percent strengthening of the US Dollar against the other currencies as at 31 December 2019 would have impacted equity and the profit by USD 94,496 loss (2018: USD 2,505 profit). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2018. A 10 percent weakening of the US Dollars would give rise to an equal and opposite effect.

Market risk - Interest rate risk

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

The interest rate futures contracts are measured at fair value through the profit or loss. The net fair value adjustment of the interest rate futures at 31 December 2019 was a profit of USD 6,104 (2018: USD 27,309 loss). These amounts are recognised as fair valuation of derivative financial instruments in Trading Income.

In managing the interest rate risk, the Group and Company aims to reduce the impact of short term fluctuations on the Group and Company's earnings. Notwithstanding the current low LIBOR rate environment, the Group and Company enter into interest rate futures contracts, to hedge against the risk of changes in the fair value of its trading assets resulting from changes in interest rates, for its forfaiting assets with an average life of more than twelve months. The effect of an estimated general increase of one percentage point in interest rate on trading assets with an average life of more than six months as at 31 December 2019 would reduce the Group and Company's profit before tax by approximately USD 1,188,253 (2018: USD 419,987).

Liquidity risk

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

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

Notes to the financial statements (continued)

18. Financial instruments (continued)

Liquidity risk (continued)

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

Group	Total USD	Total Undiscounted Contractual Cashflows USD	6 months or less USD	6-12 Months USD	1-2 Years USD	2-5 Years USD	Over 5 Years USD
2019							
Lease Liabilities	**1,419,027**	**1,428,591**	**71,556**	**190,553**	**339,032**	**827,450**	-
Bank overdraft	**248,465,407**	**249,077,207**	**249,077,207**	-	-	-	-
Other borrowings	**112,634,855**	**113,083,484**	**113,083,484**	-	-	-	-
Amounts due to parent	**442,914**	**442,914**	**442,914**	-	-	-	-
Accruals & deferred income	**6,304,374**	**6,304,374**	**5,028,120**	**391,987**	**109,677**	**729,300**	**45,290**
Total	**369,266,577**	**370,336,570**	**367,703,281**	**582,540**	**448,709**	**1,556,750**	**45,290**
2018							
Lease Liabilities	-	-	-	-	-	-	-
Bank overdraft	130,287,629	130,602,889	130,602,889	-	-	-	-
Other borrowings	113,202,873	113,756,336	81,003,308	32,753,028	-	-	-
Amounts due to parent	15,379,116	15,379,116	15,379,116	-	-	-	-
Accruals & deferred income	6,066,827	6,066,827	4,443,967	624,118	244,298	339,718	414,726
Total	264,936,445	265,805,168	231,429,280	33,377,146	244,298	339,718	414,726

The amount of USD 248,465,407 on the Bank Overdraft is repayable within 30 days (2018: USD 130,287,629).

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	Over 5 Years USD
2019							
Lease Liabilities	**1,372,250**	**1,381,191**	**24,156**	**190,553**	**339,032**	**827,450**	-
Bank overdraft	**248,465,407**	**249,077,207**	**249,077,207**	-	-	-	-
Other borrowings	**112,634,855**	**113,803,484**	**113,803,484**	-	-	-	-
Amounts due to parent	**442,914**	**442,914**	**442,914**	-	-	-	-
Accruals & deferred income	**6,236,480**	**6,236,483**	**4,950,848**	**401,368**	**109,677**	**729,300**	**45,290**
Total	**369,151,906**	**370,221,279**	**367,578,609**	**591,921**	**448,709**	**1,556,750**	**45,290**
2018							
Lease Liabilities	-	-	-	-	-	-	-
Bank overdraft	130,287,629	130,602,889	130,602,889	-	-	-	-
Other borrowings	113,202,873	113,756,336	81,003,308	32,753,028	-	-	-
Amounts due to parent	15,379,116	15,379,116	15,379,116	-	-	-	-
Accruals & deferred income	6,005,861	6,005,861	4,383,001	624,118	244,298	339,718	414,726
Total	264,875,479	265,744,202	231,368,314	33,377,146	244,298	339,718	414,726

The amount of USD 248,465,407 on the Bank Overdraft is repayable within 30 days (2018: USD 130,287,629).

Notes to the financial statements (continued)

18. 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.

	2019							2018						
Forfaiting assets held for trading	Effective interest rate	Total	6 months or less	6-12 months	1-2 Years	2-5 years	Over 5 years	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
		USD	USD	USD	USD	USD	USD		USD	USD	USD	USD	USD	USD
- USD fixed rate	6.89	92,960,413	64,860,965	16,762,953	9,503,560	1,832,935	-	8.03	87,570,926	62,548,829	11,929,318	13,092,779	-	-
- Euro fixed rate	5.59	80,280,035	10,901,215	23,228,065	40,224,903	5,925,852	-	5.25	34,756,680	13,427,069	11,401,329	7,016,510	2,911,772	-
- GBP fixed rate	7.40	600,426	92,539	190,809	180,200	136,878	-	6.54	540,083	74,249	124,059	234,415	107,360	-
- USD floating rate	7.23	226,230,306	57,844,584	44,507,776	44,178,034	70,362,788	9,337,124	7.47	184,533,957	34,638,256	44,478,104	62,863,469	42,554,128	-
- Euro floating rate	4.94	60,167,356	23,173,246	11,359,260	11,074,066	11,098,356	3,462,428	4.88	39,883,321	16,738,939	23,144,382	-	-	-
		460,238,536	156,872,549	96,048,863	105,160,763	89,356,809	12,799,552		347,284,967	127,427,342	91,077,192	83,207,173	45,573,260	-
Cash and cash equivalents														
-Cash at Bank	-	444,357	444,357	-	-	-	-	-	208,535	208,535	-	-	-	-
- Cash in hand	-	17,356	17,356	-	-	-	-	-	19,533	19,533	-	-	-	-
		461,713	461,713	-	-	-	-		228,068	228,068	-	-	-	-
Lease Liabilities														
-USD	4.64	(103,203)	(59,798)	(13,021)	(26,043)	(4,341)	-	-	-	-	-	-	-	-
-GBP	3.37	(1,315,824)	-	(131,582)	(263,165)	(921,077)	-	-	-	-	-	-	-	-
		(1,419,027)	(59,798)	(144,603)	(289,208)	(925,418)	-	-	-	-	-	-	-	-
Bank overdraft														
- USD	3.38	(189,094,605)	(189,094,605)	-	-	-	-	4.27	(92,808,598)	(92,808,598)	-	-	-	-
- EUR	1.52	(59,765,565)	(59,765,565)	-	-	-	-	1.77	(37,038,676)	(37,038,676)	-	-	-	-
- GBP	2.47	394,763	394,763	-	-	-	-	2.50	(440,355)	(440,355)	-	-	-	-
		(248,465,407)	(248,465,407)	-	-	-	-		(130,287,629)	(130,287,629)	-	-	-	-
Other Borrowings	2.03	(112,634,855)	(112,634,855)	-	-	-	-	3.46	(113,202,873)	(80,527,187)	(32,675,686)	-	-	-
Total		98,180,960	(203,825,798)	95,904,260	104,871,555	88,431,391	12,799,552		104,022,533	(83,159,406)	58,401,506	83,207,173	45,573,260	-

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

18. Financial instruments (continued)

Effective interest rates and repricing analysis – Company

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

	2019							2018						
	Effective interest rate	Total	6months or less	6-12 months	1-2 years	2-5 years	Over 5 years	Effective interest rate	Total	6months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Forfaiting assets held for trading		USD	USD	USD	USD	USD			USD	USD	USD	USD	USD	
- USD fixed rate	6.89	92,960,413	64,860,965	16,762,953	9,503,560	1,832,935	-	8.03	87,570,926	62,548,829	11,929,318	13,092,779	-	-
- Euro fixed rate	5.59	80,280,035	10,901,215	23,228,065	40,224,903	5,925,852	-	5.25	34,756,680	13,427,069	11,401,329	7,016,510	2,911,772	-
- GBP fixed rate	7.40	600,426	92,539	190,809	180,200	136,878	-	6.54	540,083	74,249	124,059	234,415	107,360	-
- USD floating rate	7.23	226,230,306	57,844,584	44,507,776	44,178,034	70,362,788	9,337,124	7.47	184,533,957	34,638,256	44,478,104	62,863,469	42,554,128	-
- Euro floating rate	4.94	60,167,356	23,173,246	11,359,260	11,074,066	11,098,356	3,462,428	4.88	39,883,321	16,738,939	23,144,382	-	-	-
		460,238,536	156,872,549	96,048,863	105,160,763	89,356,809	12,799,552		347,284,967	127,427,342	91,077,192	83,207,173	45,573,260	-
Cash and cash equivalents														
- Cash at Bank	-	408,213	408,213	-	-	-	-	-	168,413	168,413	-	-	-	-
- Cash in hand	-	17,351	17,351	-	-	-	-	-	19,528	19,528	-	-	-	-
		425,564	425,564	-	-	-	-		187,941	187,941	-	-	-	-
Lease Liabilities														
-USD	4.64	(56,425)	(13,021)	(13,021)	(26,043)	(4,341)	-	-	-	-	-	-	-	-
-GBP	3.37	(1,315,825)	-	(131,582)	(263,165)	(921,077)	-	-	-	-	-	-	-	-
		(1,372,250)	(13,021)	(144,603)	(289,208)	(925,418)	-	-	-	-	-	-	-	-
Bank overdraft														
- USD	3.38	(189,094,605)	(189,094,605)	-	-	-	-	4.27	(92,808,598)	(92,808,598)	-	-	-	-
- EUR	1.52	(59,765,565)	(59,765,565)	-	-	-	-	1.77	(37,038,676)	(37,038,676)	-	-	-	-
- GBP	2.47	394,763	394,763	-	-	-	-	2.50	(440,355)	(440,355)	-	-	-	-
		(248,465,407)	(248,465,407)	-	-	-	-		(130,287,629)	(130,287,629)	-	-	-	-
Other borrowings	2.03	(112,634,855)	(112,634,855)	-	-	-	-	3.46	(113,202,873)	(80,527,187)	(32,675,686)	-	-	-
Total		98,191,588	(203,815,170)	95,904,260	104,871,555	88,431,391	12,799,552		103,982,406	(83,199,533)	58,401,506	83,207,173	45,573,260	-

Notes to the financial statements (continued)

18. Financial instruments (continued)

Credit risk

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

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

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

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

The Group is closely monitoring the economic environment in the emerging market and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In 2018, countries where payment delays were experienced due to foreign exchange shortages, limits were reduced.

Whilst the Company's maximum exposure to credit risk is the carrying value of the fair value of its assets and off-balance sheet instruments, the exposure is mitigated through offsetting collateral, credit guarantees and other actions taken to mitigate the Company's exposure.

Group and Company

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

	Gross Value 2019 USD	Fair Value 2019 USD	Gross Value 2018 USD	Fair Value 2018 USD
Not past due	**463,610,527**	**454,719,362**	356,155,858	347,208,104
Past due [0-30 days]	**737,448**	**442,469**	-	-
Past due [31-120 days]	**45,953**	**38,716**	1,537,257	76,863
More than 120 days	**7,194,991**	**5,037,989**	-	-
Total	**471,588,919**	**460,238,536**	357,693,115	347,284,967

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

	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Realised upward fair valuation	**6,544,259**	6,044,462	**6,544,259**	6,044,462
Realised downward fair valuation	**(1,053,027)**	(1,614,693)	**(1,053,027)**	(1,614,455)
Unrealised upward fair valuation	**2,871,747**	7,907,831	**2,871,747**	7,907,831
Unrealised downward fair valuation	**(2,713,464)**	(2,184,065)	**(2,713,464)**	(2,184,065)
Amounts reversed from written off assets	**3,000,000**	14,384	**3,000,000**	14,384
	8,649,515	10,167,919	**8,649,515**	10,168,157

In 2019, the Group refined its fair valuation model to include components of fees and commissions income and expense.

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

Notes to the financial statements (continued)

18. Financial instruments (continued)

Operational risks

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

Reputational Risks

Reputational risk is the risk that negative publicity on LFC's business practices, whether true or not, will cause a decline in the customer base, involve the company in costly litigation, or lead to revenue reductions.
Reputational risk arises from operational failures, failure to comply with relevant laws and regulations - including but not limited to Anti–Money Laundering ("AML") and Counter Funding of Terrorism ("CFT") regulations - or from other sources, including acts or omissions of misconduct on the part of its directors and/or officers and/or representatives, even in matters which are unrelated to their mandate or position within LFC. The impact for non-compliance with the applicable regulations can be substantial and can include formal enforcement actions, monetary penalties, informal enforcement actions, and enhanced supervisory monitoring.
To this purpose, detailed AML, CFT and fraud documentation policies and procedures, a robust Business Risk Assessment and Customer Acceptance Policy as well as a strong oversight by LFC's Board and management have been devised. These are constantly maintained to reflect the latest changes in legislations and related guidance. These were updated to comply with the fourth AML directive in 2017, further updates will be undertaken to comply with changes in legislation as they occur. LFC uses qualitative research tools to assess the adequacy of prospective clients and transactions as well as rating of corporate and business relationships. Through such rigid procedures, LFC would be able to identify transactions and clients which pose a higher risk compared to others. These include Politically Exposed Persons and clients and transactions deriving from non-compliant jurisdictions. In addition, reputational risk is also indirectly mitigated through the setting of country limits. Some of the criteria used in setting up a transaction limit for particular countries are closely related to reputational risk, including issues relating to the political environment such as the fairness and frequency of election processes and access to power and effectiveness in reforming political systems and implementing economic agendas.
LFC has installed adequate internal monitoring systems to discover any such irregularities on the part of persons who may cause such risk, thus ensuring that persons not maintaining the highest standards of integrity in their activities, even if such activities are unrelated to their position, are not allowed to retain their positions of responsibility within the company

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, general reserve and retained earnings. The Board of Directors monitors the return on capital, which the Group defines as profit after tax divided by capital, represented by the shareholder's equity.
The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the year.

Notes to the financial statements (continued)

19. Lease Liabilities

Leases as lessee

	Group		Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
As at 1 January	-	-	-	-
Additions	1,614,000	-	1,476,800	-
Interest expense	24,740	-	20,366	-
Payments	(219,713)	-	(124,916)	-
Balance at 31 December	1,419,027	-	1,372,250	-

As at 31 December 2019, the Group had 3 property leases.

Non-cancellable leases are payable as follows:

	Group		Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Less than one year	204,401	-	157,624	-
Between one and five years	1,214,626	-	1,214,626	-
More than five year	-	-	-	-
	1,419,027	-	1,372,250	-

The Group does not have any leases as lessor.

20. Commitments and contingencies

As part of its normal trade finance activity, the Group has entered into various confirmed credits and commitments, both of which are contingent upon the fulfilment of documentary conditions on the part of its customers. As at 31 December 2019 these totalled USD 43,764,114 (2018: USD 72,061,370) for both the Group and the Company as shown in the table below:

	Group	
	2019	2018
	USD	USD
Forfaiting assets held for trading commitments	18,774,420	36,610,687
Letter of Credit confirmations	416,331	2,214,529
Loan credit default swaps	21,233,431	7,500,000
Conditional guarantees	462,410	52,824
Unfunded credit facilities	2,877,522	25,683,330
	43,764,114	72,061,370

Financial Guarantees

Financial guarantees are recognised under IFRS 9 and are held at fair value in the balance sheet. The nature of these guarantees means that fair value at inception is usually equal to the premium received. If there is no up-front payment then the fair value of the financial guarantees is recognised at nil on the balance sheet.

Notes to the financial statements (continued)

21. Related parties

Identity of related parties and related party balances

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

The Company has a relationship with Tunis International Bank S.A, Tunisia, as it is a subsidiary of the Burgan Bank SAK, Kuwait, which has a significant shareholding in the parent company, FIMBank plc. As at 31 December 2019, the Group and Company has a money market loan with Tunis International Bank S.A for USD 9.02m maturing on 6 January 2020.

The Company has a 30 day rolling bank overdraft facility of with its parent, FIMBank plc. As at 31 December 2019, the balance is USD 248,465,407 (2018: USD 130,287,629). Furthermore, there are amounts due to/by parent, which are set out in notes 10, 12 and 16 of these financial statements.

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

22. Parent company and parent undertaking of larger group

FIMBank plc by which the Company is directly and 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.

Income statement - 5 year summary
(unaudited)

Group	2019 USD	2018 USD	2017 USD	2016 USD	2015 USD
Trading income	**29,663,165**	29,961,636	21,229,937	17,436,756	10,436,159
Administrative expenses	**(9,054,684)**	(7,882,037)	(6,399,039)	(5,615,095)	(5,637,217)
Operating profit before financing costs	**20,608,481**	22,079,599	14,830,898	11,821,661	4,798,942
Net Financing expense	**(8,096,278)**	(6,828,271)	(6,348,030)	(6,028,056)	(3,993,278)
Profit before tax	**12,512,203**	15,251,328	8,482,868	5,793,605	805,664
Income tax	**(1,766,926)**	(1,405,556)	(149,669)	687,726	-
Profit for the year attributable to equity holders of the parent	**10,745,277**	13,845,772	8,333,199	6,481,331	805,664

LONDON FORFAITING COMPANY LTD

Statements of financial position - 5 year summary
(unaudited)

Group	2019 USD	2018 USD	2017 USD	2016 USD	2015 USD
Assets					
Plant and equipment	**1,773,322**	112,474	99,450	141,724	192,896
Deferred tax assets	**5,549,406**	6,689,406	7,259,406	7,259,406	6,571,680
Non-current assets	**7,322,728**	6,801,880	7,358,856	7,401,130	6,764,576
Forfaiting assets - held for trading	**460,238,536**	347,284,967	252,509,144	379,397,964	355,063,998
Cash and cash equivalents	**461,713**	228,068	6,367,849	184,625	165,399
Trade and other receivables	**3,981,070**	2,613,725	4,400,074	1,345,979	1,060,588
Current assets	**464,681,319**	350,126,760	263,277,067	380,928,568	356,289,985
Total assets	**472,004,047**	356,928,640	270,635,923	388,329,698	363,054,561
Equity					
Issued capital	**90,000,000**	50,000,000	40,000,000	40,000,000	40,000,000
Retained earnings	**12,737,470**	41,992,193	38,146,421	34,261,623	27,780,292
Total equity attributable to owners of the Company	**102,737,470**	91,992,193	78,146,421	74,261,623	67,780,292
Liabilities					
Lease Liability	**1,419,027**	-	-	-	-
Non-current liabilities	**1,419,027**	-	-	-	-
Bank overdraft	**248,465,407**	130,287,629	48,875,237	217,281,201	208,526,277
Other Borrowings	**112,634,855**	113,202,873	133,650,296	86,725,869	76,832,308
Trade and other payables	**6,747,288**	21,445,945	9,963,969	10,061,005	9,915,684
Current liabilities	**367,847,550**	264,936,447	192,489,502	314,068,075	295,274,269
Total liabilities	**369,266,577**	264,936,447	192,489,502	314,068,075	295,274,269
Total equity and liabilities	**472,004,047**	356,928,640	270,635,923	388,329,698	363,054,561

LONDON FORFAITING COMPANY LTD

Cashflow statements - 5 year summary
(unaudited)

Group	2019 USD	2018 USD	2017 USD	2016 USD	2015 USD
Cash flows from operating activities					
Proceeds from sales/maturity of forfaiting assets	**525,799,236**	363,253,478	624,487,174	608,191,331	379,589,607
Purchase of forfaiting assets	**(614,313,783)**	(433,526,755)	(483,501,455)	(620,339,449)	(464,363,211)
Interest and commission receipts	**6,742,855**	7,052,316	9,190,390	7,966,840	3,936,963
Interest and commission payments	**(9,532,126)**	(8,348,495)	(8,285,897)	(8,671,923)	(4,799,070)
Payments to employees and suppliers	**(8,169,487)**	(6,386,500)	(5,901,923)	(5,493,630)	(5,712,989)
Cash inflow/ outflow before changes in operating assets / liabilities	**(99,427,342)**	(77,955,956)	135,988,289	(18,346,831)	(91,348,700)
(Increase)/decrease in operating assets					
- Amounts due from ultimate parent	**391,857**	(4,691)	86,637	(8,393)	12,957
- Prepayments, accrued income and other debtors	**(1,713,255)**	1,791,039	(3,140,732)	(276,998)	(13,857)
Increase/(decrease) in operating liabilities					
Amount due to ultimate parent	**(14,936,202)**	14,839,288	142,502	(60,713)	74,972
Other liabilities	**1,551**	(5,118,857)	(793,669)	72,949	2,807,568
Net cash used in operating activities before income tax	**(16,302,012)**	11,506,779	(3,705,262)	(273,155)	2,881,640
Income tax paid	**(845,183)**	(227,857)	(149,669)	-	-
Net cash used in operating activities	**(116,574,537)**	(66,677,034)	132,133,358	(18,619,986)	(88,467,060)
Net cash from investing activities	**(490,645)**	(65,731)	(20,197)	(9,273)	(142,035)
Cash flows from financing activities					
Proceeds from issued prom notes	**141,861,413**	127,408,466	76,143,581	31,081,579	70,230,339
Repayment of prom notes	**(134,899,679)**	(109,815,691)	(29,715,795)	(48,502,465)	(55,182,780)
Other financing agreements entered	**172,339,952**	83,754,065	13,996,642	47,500,000	107,410,503
Repayment of financing agreements entered	**(179,960,921)**	(57,156,248)	(13,500,000)	(20,185,553)	(77,374,142)
Repayment Repo Financing	**-**	(65,000,000)	-	-	-
Payment of lease liability	**(219,716)**	-	-	-	-
Net movement in bank overdraft	**118,177,778**	81,412,392	(168,405,964)	8,754,924	43,505,701
Dividends Paid	**-**	-	(4,448,401)	-	-
Net cash used in financing activities	**117,298,827**	60,602,984	(125,929,937)	18,648,485	88,589,621
Net (decrease)/ increase in cash and cash equivalents	**233,645**	(6,139,781)	6,183,224	19,226	(19,474)
Cash and cash equivalents at beginning of year	**228,068**	6,367,849	184,625	165,399	184,873
Cash and cash equivalents at end of year	**461,713**	228,068	6,367,849	184,625	165,399

Directors and senior management

Board of Directors	John C Grech (Chairman) Majed Essa Ahmed Al-Ajeel Mohamed Fekih Ahmed Hussain Lalani
Chief Executive Officer	Simon Lay
Head of Finance / Company Secretary	William Ramzan
Head of Trading	Tony Knight
Head of UK Marketing	Ian Lucas
Head of Compliance & MLRO	Paul Bohannon
Head of Operations	Lorna Pillow
London Forfaiting Americas. Inc. (LFA)	Gregory Bernardi, President of LFA
London Forfaiting do Brasil Ltda. (LFB)	Alexandre Ozzetti, Director of LFB
Representative, Germany	Wenli Wang
Representative, France	Eric Baillavoine
Representative, Russian Federation	Irina Babenko
Senior Managers	Jeremy Burke Yonca Sarp Colin Stone Sandro Valladares

LONDON FORFAITING COMPANY LTD

Contact details

London	New York
15-18 Austin Friars London EC2N 2HE United Kingdom Tel: +44 20 7397 1510 Email: lfc@forfaiting.com	1 East 52nd Street Suite 602 New York NY 10022, U.S.A. Tel: +1 21275 91919 Email: lfa@forfaiting.com
Sao Paulo	**Paris**
World Trade Center, Av. Das Nacoes Unidas 12.551, 17th Floor, Sao Paulo, SP 04578-903, Brazil Tel: +55 11 3443-7440 Email: lfc.brasil@forfaiting.com	Neuilly sur Seine 60 avenue Charles de Gaulle 92200 Neuilly sur Seine France Tel: +33 6 10 83 67 84 Email: lfc.france@forfaiting.com
Moscow	**Cologne**
9th Floor, Smolensky Passage, 3 Smolenskaya Square, Moscow 121099, Russian Federation Tel: +7 4 95 771 7142 Email: lfc.russia@forfaiting.com	Richmodstraße 6, Cologne 50667, Germany Tel: +49 221 920 42 223 Email: lfc.germany@forfaiting.com
Malta	**Singapore**
Mercury Tower, The Exchange Financial & Building Centre, Elia Zammit Street St.Julian's STJ 3155, Malta Tel: +356 23280 736 Email: lfc.malta@forfaiting.com	10 Changi Business Park Central 2 #05-01 HansaPoint @CBP Singapore 486030 Email: lfc.singapore@forfaiting.com