Annual Report 2021

www.forfaiting.com

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

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 position as a leader in the global forfaiting market is built upon close working relationships with clients, the ability to understand and address their trade finance requirements and by delivering tailor-made solutions. LFC's speed of delivery, adaptability and continuously meeting clients' needs and requirements ensures this position is maintained
The extensive experience of LFC's professional team with backgrounds from both banking and industry, delivered via a global network of offices, ensures clients receive the highest level of service and access to bespoke finance solutions.

Forfaiting & UK Regulations

The UK Financial Conduct Authority has Regulatory Money Laundering Supervisory responsibilities for LFC.

UK legislation i) the Banking Consolidation Directive (Annex 1 (Point 2)); and ii) Money Laundering Regulations 2017 (Schedule 1) designate Forfaiting Companies such as LFC 'non-banking' Financial Institutions. Consequently, LFC is required to abide by UK anti-money laundering Regulations.

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

Financing is provided by discounting irrevocable receivables 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 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

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:

- Major currencies in excess of USD 1,000,000
- 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 range from 60 days to 10 years

Benefits of Traditional Forfaiting

Forfaiting allows an exporter to offer extended payment terms to improve the chances of winning an export contract against competitors.

LFC assists clients to sell on credit terms whilst mitigating a range of risks including commercial, political, transfer, interest and exchange risks

Forfaiting allows exporters to conclude sales without exposure to risks and costs of financing overseas clients, whilst receiving sales proceeds as soon as possible after shipment.

Forfaiting is "without-recourse" to the exporter, mitigating non-payment risk under the export contract. It accelerates the receivable into cash upon receipt of the unconditional obligation to pay for the goods at maturity.

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") principal activities are forfaiting and lending delivered to corporate and banking clients through its international network of offices. 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

The business environment in 2021 continued to be challenging, following from the depressed markets the previous year as a result of the COVID-19 pandemic. Although business practices globally had been impacted by the pandemic, LFC had been able to navigate the changes with little disruption and by the end of the year, business practices were returning to normal.

For the period under review the trade finance market was subdued and margins remained depressed. Continued low commodity prices and increasing uncertainty in the market from reoccurring outbreaks of the Covid pandemic gave rise to a challenging business environment for LFC. However, LFC experienced only isolated payment delays during the year. By year end there were nascent signs of a recovery as commodity prices stabilised and began an upward trend. Interest rates were also trending upwards in all major currencies.

LFC reported higher profits after tax for 2021 of USD 8,087,901 (2020: USD 7,373,558), representing a 10% increase from the previous year. Trading Income of USD 24,518,744 was 3% higher than the previous year (2020: USD 23,713,685). Furthermore, net financing expense decreased significantly to USD 5,666,925 (2020: USD 6,957,829), whilst administration expenses increased for the period under review. The tax charge also increased for the year as a consequence of the higher profit.

The net effect of these factors enabled LFC to deliver a profit after tax of USD 8,087,901 to our shareholders in 2021. During the year, LFC distributed USD 15,200,000 in dividends, with USD 12,100,000 being in the form of a scrip and USD 3,100,000 by way of a cash dividend.

Trading income

LFC's Forfaiting Yield was 15% lower at USD 17,521,343 (2020: USD 20,508,758) which was as a result of a combination of a lower forfaiting portfolio held for trading during the year as well as lower margins and the continued downward trend of interest rates.

Fair valuation movements of forfaiting assets held for trading and derivative financial instruments increased significantly from USD 3,232,257 in 2020 to USD 7,033,546 in 2021, which represents an increase of 118%. This increase was in part due to the recovery of the downward fair valuations taken in prior years. In 2020, LFC fair valued its portfolio downwards as a result of the impact of the COVID-19 pandemic on market pricing When forfaiting assets held for trading were settled or sold, the fair valuation was recovered. Furthermore, as markets continued to recover, there were good trading opportunities. LFC managed to increase business volumes and in 2021, the amount of forfaiting assets held for trading that were sold or matured increased to USD 627,052,696 (2020: USD 488,461,083), highlighting LFC's capacity to continue to service its customers during this pandemic.

In addition to lower margins there was also a reduction in fee levels; as a result, net fees and commission expense increased from USD 27,330 in 2020 to a net fees and commission expense of USD 36,145.

As a result of the movements in Forfaiting Yield, Fair valuation of forfaiting assets held for trading and derivative financial instruments and net fees and commissions, Trading Income for the year was 3% higher than the level achieved in 2020.

Strategic Report (continued)

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. This year, the funding from the parent was structured to include short-term promissory notes in addition to the bank overdraft. Whilst the bank overdraft decreased by 80% from USD 258,686,175 in 2020 to USD 50,945,893 in 2021, this was supported by the introduction of Issued promissory notes to parent of USD 184,239,790 in 2021. External borrowings were 5% higher at USD 88,452,104 (2020: USD 84,526,009) as a result of the continued confidence in LFC's performance. With lower funding rates and a lower average forfaiting portfolio held for trading to fund, net financing costs decreased 19% to USD 5,666,925 (2020: USD 6,957,829).

Administrative expenses

LFC continually monitors its administrative expenses, which at USD 9,228,251 (2020: USD 7,803,561) were 18% higher for the year. In 2020, LFC reacted to the change in the business environment caused by the pandemic to oversee a reduction in costs; the higher cost in 2021 was reflective of normal operational costs of the business. Professional fees increased as one-off cost savings in 2020 were not repeated, with other increases being general staff costs and related social 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 2,571,406, as at 31 December 2021 as appropriate and reasonable. During the year, USD 1,598,000 of the deferred tax asset was consumed as a result of the continued 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 19 of the financial statements.

Key Performance Indicators

Throughout the year, the Directors monitor the company's Key Performance Indicators (KPI's). Financial KPI's including 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 2021, LFC had five joiners and eight leavers from a total staff count of 39 (2020: four joiners and four leavers from a total staff count of 42). The increase in staff turnover has been noted and will continued to be monitored, however the directors and management are comfortable with the increased level of turnover because this has not been in key management positions.

New accounting standards

There were new international financial reporting standards introduced this year, namely Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (the Phase 2 amendments) which became effective on 1 January 2021. As a result of this, the Group's accounting policies are consistent with the new requirements. The adoptions have not had a material effect on the financial statements. Further details are given in page 38. For the next year the most relevant standard to be adopted would be Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date 1 January 2022), although it is not expected to have a material impact on the Group's consolidated financial statements.

Strategic Report (continued)

COVID-19, key risks, uncertainties, and Outlook

The impact of COVID-19 on the global economy and financial markets is expected to continue to evolve and LFC will experience a wide range of impacts and outcomes. Key risks to the business in the coming year remain credit and interest rate risk exposure of the forfaiting assets held for trading and the continued uncertainty on the potential timeframe of the recovery from COVID-19. Whilst there are early signs of a recovery, repeat waves from the pandemic are constantly being monitored. LFC will continue to react to negative trends by de-risking from higher risk exposures and mitigate these risks to continue to produce a positive contribution to its shareholder.

Although COVID-19 continues to affect trade finance supply chains requiring enhanced monitoring of the portfolio, LFC has also been able to capitalise on opportunities which have been created and 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. Inflation and increased commodity pricing are putting upward pressures on interest rates. Where appropriate LFC employs 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).

Whilst it's challenging to formulate a forecast in these uncertain times, there are early signs of gradual economic recovery in the developed markets. Which coupled with the limited impact COVID-19 has had in the emerging markets, are both positive factors for the coming year. 2021 concludes the second year LFC has operated under COVID conditions and, while there was an initial decline in business and asset valuations at the middle of 2020, the business has fully recovered the Fair Valuation Adjustments incurred at that time and has not incurred any further marked decline in assets valuations or performance. LFC's Key Management Personnel, in conjunction with its Directors will continue to monitor the key risks and explore every business opportunity.

Going concern

The directors have made an assessment in preparing these financial statement as to whether the group is a going concern, covering a period of at least 12 months from the date of approval of these financial statements. The Group is expected to generate positive cashflows and in view of the current market conditions, the directors have considered existing and future funding lines, a range of stressed scenarios, 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 shareholder has continued to provide its support through the bank overdraft facility and loans and confirmed its availability for at least one year after these financial statements are signed. Despite a year of tremendous volatility, the positive contribution in the year of the pandemic is testament to the good risk management and business generation of LFC.

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.

LONDON FORFAITING COMPANY LTD

Section 172 Statement

Overview

In overseeing delivery of LFC's purpose and strategy, the directors are always mindful of their duties under the Companies Act 2006, including as set out in section 172. The Board recognises that LFC's long-term success is only possible through engagement with, and having regard to, the interests of key stakeholders, which for LFC includes our shareholder, customers and counterparties, employees, and wider communities.

LFC's governance framework seeks to ensure that the Board appropriately considers stakeholder considerations in decision making. The proactive oversight and challenge provided by the Board is central to the ongoing development and execution of LFC's purpose and strategy.

LFC's shareholder, FIMBank plc.

Given FIMBank's 100% ownership of LFC, it is natural that the promotion of the long-term success of LFC, through the development of a clear purpose and strategy, is aligned with the interests of FIMBank plc. FIMBank's interests are represented at Board by four shareholder appointed Non-executive Directors. Any circumstances where shareholder and LFC's interests are not aligned are managed through the disclosure and management of any such potential conflict. FIMBank plc's interests are further represented through the Board Risk Committee, where all members are FIMBank plc. directors.

Customers and Counterparties

The Board takes account of client interests through regular updates from management reviews of the business conducted by the company, the type of client it deals with and the products delivered to those clients. LFC's business model is focused on incorporated entities and financial institutions; consequently, key scorecard measures such as customer conduct metrics assessment of vulnerable customers are not required.

The interests of clients, as affected by the COVID-19 pandemic, particularly where difficulties were experienced in meeting loan repayments or other obligations, have been fully considered.

The Board also fully recognises its obligations to consider the interests of the wider communities in which LFC operates and has entrusted LFC Management with delivering support it considers appropriate.

Employees

The Board is proud of the commitment of our employees and the collaborative culture in LFC, particularly in 2021 when our employees, while adopting safe working practices, have adapted the way they work to ensure that customers have been supported throughout the COVID-19 pandemic. During this challenging period, employees have continued to support each other and work together to deliver to our stakeholders.

The Board operates a framework that takes account of the interests of our employees, including a remuneration policy that is appropriate for all employees, as well as executives, and provides for competitive remuneration strongly aligned to the delivery of LFC's strategic goals; and undertaking semi-annual reviews of talent and succession.

Section 172 Statement (continued)

Wider communities

At Board level Society and the Community is a core pillar of the LFC's strategy and firmly embedded in the culture of the Company. The events of 2021 have reinforced the expectations of society on businesses to contribute positively and more widely in the communities in which they operate. Given its origins, LFC has always taken its role in society seriously and sets out a clear framework of actions aligned to LFC's purpose and strategy that are intended to meet the expectations of stakeholders so that LFC contributes fully in the communities in which it operates.

LFC is committed to reducing its impact on the environment while helping customers and employees do the same.

Other non-financial disclosures

LFC has a moral, legal and regulatory duty to prevent, detect and deter financial crime and maintains a financial crime framework. This framework is supported and reinforced by LFC's systems and behaviours which put clients at the heart of every interaction. LFC promotes an environment which is hostile to illicit activity to protect its clients, employees, and communities from financial crime, and continues to invest in further system control enhancements. LFC's compliance with requirements of the financial crime framework is monitored through ongoing control testing, assurance, audit, and the provision of management information at LFC Board meetings.

LFC's Modern Slavery Statement (which is available on our website) sets out the policies we apply and actions we take to ensure that our employees and customers are treated with dignity and respect. This includes raising awareness of issues that could put our customers at risk such as vulnerability and exploitation.

John C. Grech
Chairman
7 March 2022

Simon Lay
Chief Executive Officer

Directors' report

The Directors are pleased to present their report and the audited Group and Company financial statements for the year ended 31 December 2021.

Results and dividends

LFC's profit after tax for the year 2021 was USD 8,087,901 (2020: USD 7,373,558). The Directors approved the payment of a scrip dividend of USD 12,100,000 during the year (2020: USD 7,000,000). The scrip dividend was paid from the issue of 12,100,000 bonus shares at USD 1 per share. Furthermore, LFC paid a cash dividend of USD 3,100,000 to its shareholder (2020: nil).

Key Performance Indicators

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

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 19 of the financial statements.

Political contributions

The Group and Company made no political contributions in 2021, (2020: 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 – Hussain Abdul Aziz Lalani

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.

Post balance sheet events

The directors confirm that there were no subsequent events that affect Group and Company financial statements for the year ended 31 December 2021.

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 Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approval

By order of the Board.

John C. Grech
Director
7 March 2022
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 Annual Report and the Group and parent Company 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 UK-adopted international accounting standards 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 the Group's 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 UK-adopted international accounting standards;
- 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 financial statements of London Forfaiting Company Limited ("the Company") for the year ended 31 December 2021 which comprise the consolidated and parent company statement of financial position as at 31 December 2021, 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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, key management personnel, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud , including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board minutes.

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the fair valuation of forfaiting assets. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited complexity in the calculation and recognition of revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation.

- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management, the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Richard Pinks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
7 March 2022

Income statements

For the year ended 31 December 2021

	Note	Group 2021 USD	Group 2020 USD	Company 2021 USD	Company 2020 USD
Trading income	4	**24,518,744**	23,713,685	**23,381,428**	22,512,316
Administrative expenses	5	**(9,228,251)**	(7,803,561)	**(8,250,428)**	(6,802,361)
Other operating income	6	**350,000**	58,333	**532,984**	263,949
Operating profit		**15,640,493**	15,968,457	**15,663,984**	15,973,904
Finance income	7	**1,521**	303	**1,218**	198
Finance costs	7	**(5,668,446)**	(6,958,132)	**(5,660,718)**	(6,940,765)
Net finance costs	7	**(5,666,925)**	(6,957,829)	**(5,659,500)**	(6,940,567)
Profit before tax		**9,973,568**	9,010,628	**10,004,484**	9,033,337
Income tax expense	8	**(1,885,667)**	(1,637,070)	**(1,885,667)**	(1,637,070)
Profit for the year attributable to equity holders of the company		**8,087,901**	7,373,558	**8,118,817**	7,396,267

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

The notes on pages 19 to 49 are an integral part of these financial statements.

LONDON FORFAITING COMPANY LTD

Statements of comprehensive income

For the year ended 31 December 2021

	Group 2021 USD	Group 2020 USD	Company 2021 USD	Company 2020 USD
Profit for the year	**8,087,901**	7,373,558	**8,118,817**	7,396,267
Other comprehensive income for the year, net of tax	-	-	**-**	**-**
Total comprehensive income for the year attributable to equity holders of the company	**8,087,901**	7,373,558	**8,118,817**	7,396,267

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

The notes on pages 19 to 49 are an integral part of these financial statements.

Statements of financial position

As at 31 December 2021

	Note	Group 2021 USD	Group 2020 USD	Company 2021 USD	Company 2020 USD
Assets					
Plant and equipment	9	**1,086,084**	1,507,280	**1,026,549**	1,376,743
Deferred tax assets	11	**2,571,406**	4,169,406	**2,571,406**	4,169,406
Non-current assets		**3,657,490**	5,676,686	**3,597,955**	5,546,149
Forfaiting assets – held for trading	18	**439,985,203**	452,326,547	**439,985,203**	452,326,547
Trade and other receivables	12	**858,271**	1,066,277	**821,874**	1,010,103
Cash and cash equivalents	13	**478,623**	346,656	**420,946**	270,060
Current assets		**441,322,097**	453,739,480	**441,228,023**	453,606,710
Total assets		**444,979,587**	459,416,166	**444,825,978**	459,152,859
Liabilities					
Lease liability	20	**877,156**	1,269,191	**823,326**	1,138,327
Non-current liabilites		**877,156**	1,269,191	**823,326**	1,138,327
Bank overdraft	13	**50,945,893**	258,686,175	**50,945,893**	258,686,175
Issued promissory notes to parent	14	**184,239,790**	-	**184,239,790**	-
Loans and borrowings	15	**88,452,104**	84,526,009	**88,452,104**	84,526,009
Trade and other payables	17	**5,365,715**	4,823,763	**5,308,234**	4,764,534
Current liabilities		**329,003,502**	348,035,947	**328,946,021**	347,976,718
Total liabilities		**329,880,658**	349,305,138	**329,769,347**	349,115,045
Equity					
Share capital	16	**109,100,000**	97,000,000	**109,100,000**	97,000,000
Retained earnings		**5,998,929**	13,111,028	**5,956,631**	13,037,814
Total equity attributable to owners of the Company		**115,098,929**	110,111,028	**115,056,631**	110,037,814
Total equity and liabilities		**444,979,587**	459,416,166	**444,825,978**	459,152,859

The notes on pages 19 to 49 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 7 March 2022 and were signed on its behalf by:

John C. Grech
Director
London Forfaiting Company
Registered Number 1733470

Statements of changes in equity

Group	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2020	**90,000,000**	**12,737,470**	**102,737,470**
Total comprehensive income for the year	-	7,373,558	7,373,558
Transactions with owners of the company			
Bonus shares issued from retained earnings	7,000,000	(7,000,000)	-
Balance at 31 December 2020	**97,000,000**	**13,111,028**	**110,111,028**
Balance at 1 January 2021	**97,000,000**	**13,111,028**	**110,111,028**
Total comprehensive income for the year	**-**	**8,087,901**	**8,087,901**
Transactions with owners of the company			
Bonus shares issued from retained earnings	**12,100,000**	**(12,100,000)**	**-**
Cash dividend	**-**	**(3,100,000)**	**(3,100,000)**
Balance at 31 December 2021	**109,100,000**	**5,998,929**	**115,098,929**

Company	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2020	**90,000,000**	**12,641,547**	**102,641,547**
Total comprehensive income for the year	-	7,396,267	7,396,267
Transactions with owners of the company			
Bonus shares issued from retained earnings	7,000,000	(7,000,000)	-
Balance at 31 December 2020	**97,000,000**	**13,037,814**	**110,037,814**
Balance at 1 January 2021	**97,000,000**	**13,037,814**	**110,037,814**
Total comprehensive income for the year	**-**	**8,118,817**	**8,118,817**
Transactions with owners of the company			
Bonus shares issued from retained earnings	**12,100,000**	**(12,100,000)**	**-**
Cash dividend	**-**	**(3,100,000)**	**(3,100,000)**
Balance at 31 December 2021	**109,100,000**	**5,956,631**	**115,056,631**

The notes on pages 19 to 49 are an integral part of these financial statements.

Statements of cash flows

For the year ended 31 December 2021

	Note	Group 2021 USD	Group 2020 USD	Company 2021 USD	Company 2020 USD
Cash flows from operating activities					
Net proceeds from purchase, sale & maturity of forfaiting assets held for trading including realised forfaiting yield		**29,862,687**	28,420,747	**29,862,687**	28,420,747
Interest income received		**1,521**	303	**1,218**	198
Interest expense paid		**(5,629,360)**	(6,913,043)	**(5,623,767)**	(6,897,890)
Fees and commissions received		**1,031,781**	646,207	**1,031,781**	646,207
Fees and commissions paid		**(717,926)**	(615,204)	**(1,855,242)**	(1,816,573)
Realised fair value gain on forfaiting assets held for trading		**5,602,540**	4,624,171	**5,602,540**	4,624,171
Payment to employees and suppliers		**(8,757,887)**	(7,268,970)	**(7,851,066)**	(6,348,009)
Cash (outflow) before changes in operating assets/liabilities		**21,393,356**	18,894,211	**21,,168,151**	18,628,851
(Increase) / decrease in operating assets:					
Amounts due from parent		**14,647**	(6,236)	**14,647**	(6,236)
Prepayments, accrued income and other debtors		**1,631,651**	1,529,115	**1,787,572**	1,464,792
Increase / (decrease) in operating liabilities:		**-**	-	**-**	-
Amounts due to parent		**(93,554)**	155,122	**(93,554)**	155,122
Other liabilities		**675,560**	(1,819,932)	**684,594**	(1,811,267)
Net cash from/ (used in) operating activities before income tax		**2,228,304**	(141,931)	**2,393,259**	(197,589)
Tax paid		**(335,007)**	(515,785)	**(335,007)**	(515,785)
Net cash used in operating activities		**23,286,653**	18,236,495	**23,226,403**	17,915,477
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(49,168)**	(113,276)	**(49,168)**	(111,720)
Recovery from subsidiary		**-**	-	**-**	205,616
Net cash from investing activities		**(49,168)**	(113,276)	**(49,168)**	93,896
Cash flows from financing activities					
Net receipts from/ (payments to) bank overdraft		**(207,740,282)**	10,220,768	**(207,740,282)**	10,220,768
Net funds from promissory notes issued to parent		**184,239,790**	-	**184,239,790**	-
Net payments of external borrowings		**3,926,095**	(28,108,846)	**3,926,095**	(28,108,846)
Dividends and coupons paid to equity holders		**(3,100,000)**	-	**(3,100,000)**	-
Payment of lease liability		**(431,121)**	(350,198)	**(351,952)**	(276,799)
Net cash from financing activities		**(23,105,518)**	(18,238,276)	**(23,026,349)**	(18,164,877)
Net (decrease)/ increase in cash and cash equivalents		**131,967**	(115,057)	**150,886**	(155,504)
Cash and cash equivalents at 1 January		**346,656**	461,713	**270,060**	425,564
Cash and cash equivalents at 31 December	**13**	**478,623**	346,656	**420,946**	270,060

The notes on pages 19 to 49 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 2021 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.

The directors have made an assessment in preparing these financial statement as to whether the group is a going concern, covering a period of at least 12 months from the date of approval of these financial statements. The Group is expected to generate positive cashflows and in view of the current market conditions, the directors have considered existing and future funding lines, a range of stressed scenarios, 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 shareholder has continued to provide its support through the bank overdraft facility and confirmed its availability for at least one year after these financial statements are signed.

The directors confirm the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. Both the Company financial statements and the Group financial statements have been prepared on a going concern basis.

(a) Statement of compliance

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards ("UK-adopted IFRS").

The financial statements were authorised for issue by the Board of Directors on 7 March 2022.

(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 Adopted 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 19.

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

(i) Recognition and initial measurement

The Group initially recognises forfaiting assets held for trading (comprising bills of exchange, promissory notes and transferable trade related loans) as financial instruments held for trading. They are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the financial instrument. They are stated at fair value, which is generally its transaction price 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 18.

(ii) Classification

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.

(iii) Derecognition

The Group derecognises a forfaiting asset held for trading when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)
(c) Forfaiting assets held for trading (continued)
(iv) 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.

(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) 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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(f) Investments in subsidiaries

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

(g) 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 (i).

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's 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 (i).

(i) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).
The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.
Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The financial assets held at amortised costs consists of trade and other receivables and cash and cash equivalents.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.
Credit-impaired financial assets

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(i) Impairment (continued)

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

(j) Interest-bearing borrowings

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

(k) Employee benefits

The Group contributes towards defined contribution plans. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.
The Group also provides short term benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provisions

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

(m) Trade and other payables

Trade and other payables are stated at amortised cost.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(n) Trading income

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

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

Fair valuation of forfaiting assets held for trading and derivative financial instruments is the summation of realised and unrealised upward and downward fair value movements as well as recoveries from written off assets (if any).

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.

The Group earns fees and commissions income from the provision of financial services to its customers. These fees are recognised when the Group 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.

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.

(o) 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 calculated 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.

(p) Leases

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. 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)

(p) Leases (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
- 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 'Lease Liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor
The Group and Company are not lessors.

Lease acquired in a business combination
The Group and Company have not acquired any leases in a business combination during the year.

Government grants
The Group and Company has not applied for any Government grant.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(q) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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.

(r) 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.

(s) 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.

(t) Intra-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 2021, there are no intra-group guarantees, (2020: nil).

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Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(u) 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.

(v) Changes in significant accounting policies

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (the Phase 2 amendments) became effective on 1 January 2021. As a result of this, the Group's accounting policies are consistent with the new requirements. The adoptions have not had a material effect on the financial statements. Further details are given in page 38.
The Group has no other transactions that are affected by newly effective requirements.

(w) New standards and interpretations not yet adopted

Other standards

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

- IFRS 17 Insurance Contracts (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date 1 January 2022).
- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract (effective date 1 January 2022).
- Amendments to References to the Conceptual Framework in IFRS 3 (effective date 1 January 2022).
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use (effective date 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020 (effective date 1 January 2022).
- – Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- – Definition of Accounting Estimates (Amendments to IAS 8).

4. Trading income

	Group		Company	
	2021 USD	2020 USD	2021 USD	2020 USD
Net gain on financial instruments held for trading:				
Forfaiting yield	**17,521,343**	20,508,758	**17,521,343**	20,508,758
Fair valuation of forfaiting assets held for trading and derivative financial instruments	**7,033,546**	3,232,257	**7,033,546**	3,232,257
	24,554,889	23,741,015	**24,554,889**	23,741,015
Fees and commissions income	**681,781**	587,874	**681,781**	587,874
Fees and commissions expenses	**(717,926)**	(615,204)	**(1,855,242)**	(1,816,573)
	24,518,744	23,713,685	**23,381,428**	22,512,316

Included within the Company's fees and commissions expense is an amount of USD 1,137,546 (2020: USD 1,202,201) payable to subsidiaries for marketing services.

Notes to the financial statements (continued)

5. Administrative expenses

	Group		Company	
	2021	2020	2021	2020
Staff cost	USD	USD	USD	USD
Wages, salaries and allowances	**5,912,307**	5,081,791	**5,136,200**	4,322,199
Social security costs	**691,022**	599,678	**641,426**	544,681
Pension costs	**152,612**	132,348	**132,809**	114,230
Operating lease expenses	**255,858**	316,417	**252,318**	282,927
Auditor's remuneration:				
Audit of these financial statements	**182,309**	102,222	**182,309**	102,222
Amount receivable by Auditor's and their associates in respect of services :				
- review of interim information	**108,035**	115,852	**108,035**	115,852
- audit of financial statements of subsidiaries	**-**	13,630	**-**	13,630
- inter-group reporting	**-**	47,703	**-**	47,703
- other services relating to taxation	**2,803**	2,770	**2,803**	2,770
Other professional fees	**575,203**	143,224	**567,605**	130,885
Other administrative expenses	**1,348,102**	1,247,926	**1,226,923**	1,125,262
	9,228,251	7,803,561	**8,250,428**	6,802,361

Other professional fees were significantly higher in 2021 due to the resumption of projects relating to business strategies which were deferred in 2020, giving rise to an exceptional low charge in 2020.

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	
Average number of employees at the end of the year:	2021	2020	2021	2020
- forfaiting and loan officers	**14**	17	**9**	14
- other staff	**25**	25	**22**	22
	39	42	**31**	36

As at 31 December 2021, there were 4 employees in London Forfaiting Americas Inc. (2020: 4 employees) and 2 in London Forfaiting do Brasil Ltda. (2020: 2 employees).

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Group		Company	
	2021	2020	2021	2020
	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 (2020: 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		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Management fee from the parent	**350,000**	58,333	**350,000**	58,333
Recovery of loan to subsidiary	**-**	-	**182,984**	205,616
	350,000	58,333	**532,984**	263,949

The management fee from the parent relates to work performed by the Group and Company on behalf of the parent FIMBank p.l.c. which commenced in 2020.
The recovery of the loan to subsidiary relates to London Forfaiting Company Limited's loan to its subsidiary London Forfaiting Americas Inc. of USD 5,943,493, which had been written off in 2011. As at 31 December 2021, the Company has recovered USD 1,763,152.

7. Net finance costs

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Interest income				
Receivable from parent	**1,104**	-	**1,104**	-
Other	**417**	303	**114**	198
Financial income	**1,521**	303	**1,218**	198
Interest expense				
Payable to parent	**(4,045,066)**	(4,977,294)	**(3,665,685)**	(4,977,294)
Payable to third parties	**(1,321,838)**	(1,544,342)	**(1,701,219)**	(1,544,342)
Lease interest expense	**(39,086)**	(45,089)	**(36,951)**	(42,876)
Net exchange losses and other charges	**(262,456)**	(391,407)	**(256,863)**	(376,253)
Financial expenses	**(5,668,446)**	(6,958,132)	**(5,660,718)**	(6,940,765)
Net financing expenses	**(5,666,925)**	(6,957,829)	**(5,659,500)**	(6,940,567)

8. Income tax

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Current tax expense				
Current year	**287,667**	257,070	**287,667**	257,070
Deferred tax expense				
Benefit of tax losses recognised	**1,598,000**	1,380,000	**1,598,000**	1,380,000
Income tax expense	**1,885,667**	1,637,070	**1,885,667**	1,637,070

Reconciliation of effective tax rate

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Profit before tax	**9,973,568**	9,010,628	**10,004,484**	9,033,337
Tax using the UK Corporation tax rate of 19% (2019: 19 %)	**1,894,978**	1,712,019	**1,900,852**	1,716,334
Effects of:				
Expenses/(income) disregarded for tax purposes	**1,318**	306	**1,220**	171
Depreciation in excess of capital allowances	**6,214**	95,732	**5,836**	80,487
Utilisation of tax losses brought forward	**(16,843)**	(170,987)	**(22,241)**	(159,922)
Income tax expense	**1,885,667**	1,637,070	**1,885,667**	1,637,070

Notes to the financial statements (continued)

8. Income tax (continued)

Tax liability reconciliation (Group and Company)

	2021 USD	2020 USD
Balances at 1 January	**199,889**	462,089
Payments to the tax authorities	**(335,007)**	(515,785)
Exchange differences	**(416)**	(3,485)
Charge for the year	**287,667**	257,070
Balances at 31 December	**152,133**	199,889

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 2020	1,614,004	379,638	614,306	95,077	2,703,025
Additions	155,273	18,697	94,579	-	268,549
Disposals	(389,108)	-	-	-	(389,108)
Balance at 31 December 2020	**1,380,169**	**398,335**	**708,885**	**95,077**	**2,582,466**
Balance at 1 January 2021	**1,380,169**	**398,335**	**708,885**	**95,077**	**2,582,466**
Additions	**-**	**8,682**	**40,486**	**-**	**49,168**
Disposals	**-**	**-**	**(41,922)**	**(27,953)**	**(69,875)**
Balance at 31 December 2021	**1,380,169**	**407,017**	**707,449**	**67,124**	**2,561,759**
Depreciation					
Balance at 1 January 2020	358,959	16,668	458,999	95,077	929,703
Depreciation charge for the year	360,556	79,083	64,215	-	503,854
Disposals	(358,371)	-	-	-	(358,371)
Balance at 31 December 2020	**361,144**	**95,751**	**523,214**	**95,077**	**1,075,186**
Balance at 1 January 2021	**361,144**	**95,751**	**523,214**	**95,077**	**1,075,186**
Depreciation charge for the year	**313,989**	**80,680**	**73,938**	**-**	**468,607**
Disposals	**-**	**-**	**(40,165)**	**(27,953)**	**(68,118)**
Balance at 31 December 2021	**675,133**	**176,431**	**556,987**	**67,124**	**1,475,675**
Carrying amounts					
At 1 January 2020	1,255,045	362,970	155,307	-	1,773,322
At 31 December 2020	1,019,025	302,584	185,671	-	1,507,280
At 1 January 2021	**1,019,025**	**302,584**	**185,671**	**-**	**1,507,280**
At 31 December 2021	**705,036**	**230,586**	**150,462**	**-**	**1,086,084**

At 31 December 2021, Land and Buildings includes the right-of-use assets of USD 705,036. An annual assessment has been made as to whether the carrying amount of tangible assets is impaired. No such indication of impairment was identified.

Notes to the financial statements (continued)

9. Plant and equipment (continued)
Company

	Land and Buildings USD	Leasehold Improvements USD	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost					
Balance at 1 January 2020	1,476,800	379,638	504,310	69,604	2,430,352
Additions	-	18,697	93,023	-	111,720
Disposals	(251,904)	-	-	-	(251,904)
Balance at 31 December 2020	**1,224,896**	**398,335**	**597,333**	**69,604**	**2,290,168**
Balance at 1 January 2021	**1,224,896**	**398,335**	**597,333**	**69,604**	**2,290,168**
Additions	**-**	**8,682**	**40,486**	**-**	**49,168**
Disposals	**-**	**-**	**(41,922)**	**-**	**(41,922)**
Balance at 31 December 2021	**1,224,896**	**407,017**	**595,897**	**69,604**	**2,297,414**
Depreciation					
Balance at 1 January 2020	267,490	16,668	357,216	69,604	710,978
Depreciation charge for the year	280,316	79,083	64,215	-	423,614
Disposals	(221,167)	-	-	-	(221,167)
Balance at 31 December 2020	**326,639**	**95,751**	**421,431**	**69,604**	**913,425**
Balance at 1 January 2021	**326,639**	**95,751**	**421,431**	**69,604**	**913,425**
Depreciation charge for the year	**244,979**	**80,680**	**71,946**	**-**	**397,605**
Disposals	**-**	**-**	**(40,165)**	**-**	**(40,165)**
Balance at 31 December 2021	**571,618**	**176,431**	**453,212**	**69,604**	**1,270,865**
Carrying amounts					
At 1 January 2020	1,209,310	362,970	147,094	-	1,719,374
At 31 December 2020	898,257	302,584	175,902	-	1,376,743
At 1 January 2021	**898,257**	**302,584**	**175,902**	**-**	**1,376,743**
At 31 December 2021	**653,278**	**230,586**	**142,685**	**-**	**1,026,549**

At 31 December 2021, Land and Buildings includes the right-of-use assets of USD 653,278. An annual assessment has been made as to whether the carrying amount of tangible assets is impaired. No such indication of impairment was identified.

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

10. Investments in subsidiaries
Company

	2021 USD	2020 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**	47,710,291
Impairment	**-**	-
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 2021	Ownership interest 2020
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.

11. Deferred tax assets
Group and Company
Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Group 2021 USD	Group 2020 USD	Company 2021 USD	Company 2020 USD
Tax value of loss carry-forwards				
Recognised	**2,571,406**	4,169,406	**2,571,406**	4,169,406

	Group 2021 USD	Group 2020 USD	Company 2021 USD	Company 2020 USD
Deferred tax asset brought forward	**4,169,406**	5,549,406	**4,169,406**	5,549,406
Utilised	**(1,598,000)**	(1,380,000)	**(1,598,000)**	(1,380,000)
Balance at 31 December	**2,571,406**	4,169,406	**2,571,406**	4,169,406

Recognition of the above deferred tax assets is based on management's five-year profit forecasts (2020: 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.

Notes to the financial statements (continued)

11. Deferred tax assets (continued)
Unrecognised deferred tax assets

All tax losses have been recognised through the deferred tax asset of USD 2,571,406 (2020: USD 4,169,406)

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.

12. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Amounts due from parent	**3,415**	18,062	**3,415**	18,062
Pre-payments and accrued income	**649,909**	818,272	**614,720**	782,775
Other debtors	**204,947**	229,943	**203,739**	209,266
	858,271	1,066,277	**821,874**	1,010,103

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

13. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Cash at banks	**461,991**	327,127	**404,314**	250,535
Cash in hand	**16,632**	19,529	**16,632**	19,525
Cash at banks and in hand	**478,623**	346,656	**420,946**	270,060

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 180 million (2020: USD 350 million). This facility is made available in USD, GBP, EUR, JPY and AED and is unsecured. The amount of USD 50,945,893 was drawn on the facility on the 31 December 2021 (2020: USD 258,686,175).

14. Issued promissory notes to parent
During the year, the Group and Company issued promissory notes to the parent, evidencing short term financing

	Group and Company	
	2021	2020
	USD	USD
Issued	**200,875,546**	-
Repaid	**(16,635,756)**	-
Outstanding	**184,239,790**	-

Notes to the financial statements (continued)

15. Other borrowings
Group and Company

	2021 USD	2020 USD
Issued promissory notes	**45,345,575**	50,832,660
Money market loans	**43,106,529**	33,693,349
Other borrowings	**88,452,104**	84,526,009

16. Share capital

In thousands of shares	2021	2020
In issue at 31 December – fully paid	**109,100**	97,000

At 31 December 2021, the paid share capital comprised of 109,100,000 (2020: 97,000,000) ordinary shares of USD 1 each. During the year, the Company paid its sole shareholder a scrip dividend of USD 12,100,000 (2020: 7,000,000) through the issue of 12,100,000 bonus shares at USD 1 per share. The Company also paid a cash dividend of USD 3,100,000 during the year (2020: nil).

17. Trade and other payables

	Group		Company	
	2021 USD	2020 USD	2021 USD	2020 USD
Amounts due to parent	**504,482**	598,036	**504,482**	598,036
Accruals and deferred income	**4,853,947**	4,225,727	**4,796,466**	4,166,498
Cash collateral	**7,286**	-	**7,286**	-
	5,365,715	4,823,763	**5,308,234**	4,764,534

Included in accruals and deferred income is USD 0.7m (2020: USD 0.7m) 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 2021, this is expected to be 10 years (2020: 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 2.6m (2020: USD 2.8m) with the most significant amounts being for staff costs and professional fees. Furthermore, there is a tax liability of USD 579,399 (2020: USD 199,889) 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 34,530 (2020: USD 27,665) relating to interest rate futures which the parent manages on behalf of the Group and Company.

Notes to the financial statements (continued)

18. Fair values of financial instruments

Fair values

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

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

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

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

Forfaiting assets held for trading

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

When available, the Group measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regular occurring market transactions on an arm's length basis. However, forfaiting assets are not actively 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 stress 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.

Notes to the financial statements (continued)

18. Fair values of financial instruments (continued)

Interest rate future contracts

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

Interest rates used for determining fair value

The Group and Company use the Risk Free Rates (RFRs) yield curve as of 31 December 2021 plus an adequate credit margin spread to discount forfaiting assets held for trading. The discount rates used are as follows:

	2021	2020
Forfaiting assets held for trading	**0.98% - 19.30%**	2.06% - 10.27%

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

	2021 USD	2020 USD
Balance at 1 January	**452,326,547**	460,238,536
Purchases	**623,419,539**	471,299,660
Settlements	**(627,052,696)**	(488,461,083)
Fair valuation adjustments	**1,431,007**	(1,391,914)
Movement in accrued interest	**(779,205)**	91,627
Exchange differences	**(8,720,323)**	12,687,156
Overdue now settled	**(4,303,700)**	(6,441,135)
Matured but not settled during the year	**3,664,034**	4,303,700
Balance at 31 December	**439,985,203**	452,326,547

Notes to the financial statements (continued)

18. Fair values of financial instruments (continued)

Financial instruments not measured at fair value

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

Group	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2021	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	-	**478,623**	-	**478,623**	**478,623**
Trade and other receivables	-	**858,271**	-	**858,271**	**858,271**
Liabilities					
Lease Liability	-	**877,156**	-	**877,156**	**877,156**
Bank overdraft	-	**50,945,893**	-	**50,945,893**	**50,945,893**
Issued promissory notes to parent		**184,239,790**		**184,239,790**	**184,239,790**
Other borrowings	-	**88,452,104**	-	**88,452,104**	**88,452,104**
Trade and other payables	-	**5,365,715**	-	**5,365,715**	**5,365,715**
2020	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	-	346,656	-	346,656	346,656
Trade and other receivables	-	1,066,277	-	1,066,277	1,066,277
Liabilities					
Lease Liability	-	1,269,191	-	1,269,191	1,269,191
Bank overdraft	-	258,686,175	-	258,686,175	258,686,175
Other borrowings	-	84,526,009	-	84,526,009	84,526,009
Trade and other payables	-	4,823,763	-	4,823,763	4,823,763

Company	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2021	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	-	**420,946**	-	**420,946**	**420,946**
Trade and other receivables	-	**821,874**	-	**821,874**	**821,874**
Liabilities					
Lease Liability					
Bank overdraft	-	**50,945,893**	-	**50,945,893**	**50,945,893**
Issued promissory notes to parent	-	**184,239,790**	-	**184,239,790**	**184,239,790**
Other borrowings	-	**88,452,104**	-	**88,452,104**	**88,452,104**
Trade and other payables	-	**5,308,234**	-	**5,308,234**	**5,308,234**
2020	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	-	270,060	-	270,060	270,060
Trade and other receivables	-	1,010,103	-	1,010,103	1,010,103
Liabilities					
Lease Liability	-	1,138,327	-	1,138,327	1,138,327
Bank overdraft	-	258,686,175	-	258,686,175	258,686,175
Other borrowings	-	84,526,009	-	84,526,009	84,526,009
Trade and other payables	-	4,764,534	-	4,764,534	4,764,534

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

19. Financial instruments

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

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

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.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has significant exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.

The main risks to which the Group has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Group established a cross-functional IBOR Committee to manage its transition to alternative rates. The objectives of the IBOR Committee include evaluating the extent to which forfaiting assets held for trading, commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The IBOR Committee reports to the CEO and collaborates with other business functions as needed.

For contracts indexed to an IBOR that mature after the expected cessation of the IBOR rate, the IBOR Committee has established policies to amend the contractual terms. These amendments include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate. The Group has signed up to fallback mechanisms for centrally cleared derivatives and aimed to transfer exposures to the new benchmark rate ahead of the activation date of the fallback provisions.

Notes to the financial statements (continued)

19. Financial instruments (continued)

The CEO approved a policy requiring that, with effect from 1 December 2020, all newly originated floating-rate loans and advances to customers incorporate fallback provisions for when an IBOR ceases to exist. The fallback provisions provide for a transition to the applicable alternative benchmark rate, which vary depending on the jurisdiction.
The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate (and referred to as an 'unreformed contract') when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR.
As at 31 December 2021, the IBOR reform in respect of currencies to which the Group has exposure has been largely completed. The table below sets out the IBOR rates that the Group had exposure to, the new benchmark rates to which these exposures have or are being transitioned and the status of the transition.

Currency	Benchmark before reform	Benchmark after reform	Status as at 31 December 2021	2020
USD	USD LIBOR	SOFR	In progress (see below)	In progress
EUR	EURIBOR	EURIBOR (reformed)	Completed	In progress
EUR	EONIA	€STR	Completed	In progress
GBP	GBP LIBOR	SONIA	Completed	In progress

In March 2021, the Financial Conduct Authority (FCA), as the regulator of ICE (the authorised administrator of LIBOR), announced that after 31 December 2021 LIBOR settings for sterling, euro and the one-week and two-month US dollar settings will either cease to be provided or no longer be representative. The remaining US dollar settings will either cease to be provided or no longer be representative after 30 June 2023.

Notes to the financial statements (continued)

19. Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments 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	2021 USD	2020 USD
Americas	**94,222,386**	97,406,120
Asia	**90,053,805**	31,686,194
Central and Eastern Europe	**-**	2,399,405
Middle East & North Africa	**5,230,109**	31,239,317
Rest of Europe	**156,828,919**	186,509,637
Sub-Saharan Africa	**93,649,984**	103,085,874
	439,985,203	452,326,547

Counterparty type	2021 USD	2020 USD
Banks	**226,135,844**	205,722,477
Corporates	**166,321,919**	191,752,560
Sovereign	**47,527,440**	54,851,510
	439,985,203	452,326,547

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

19. Financial instruments (continued)

Market risk – Currency risk

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

Group			**2021**					**2020**		
Assets	**USD**	**Euro USD**	**Sterling USD**	**Other USD**	**Total USD**	**USD**	**Euro USD**	**Sterling USD**	**Other USD**	**Total USD**
- Forfaiting assets held for trading	**310,064,672**	**120,605,928**	**9,314,603**	**-**	**439,985,203**	294,254,934	148,996,727	9,074,886	-	452,326,547
- Cash and cash equivalents	**267,589**	**132,031**	**70,190**	**8,813**	**478,623**	101,080	39,423	149,545	56,608	346,656
- Trade and other receivables	**595,472**	**139,433**	**115,966**	**7,400**	**858,271**	898,785	41,446	108,055	17,991	1,066,277
Total Assets	**310,927,733**	**120,877,392**	**9,500,759**	**16,213**	**441,322,097**	295,254,799	149,077,596	9,332,486	74,599	453,739,480
Liabilities										
- Lease Liabilities	**53,830**	**-**	**823,326**	**-**	**877,156**	130,864	-	1,138,327	-	1,269,191
- Bank overdraft	**14,519,560**	**28,149,886**	**8,276,447**	**-**	**50,945,893**	170,321,292	80,359,269	8,005,614	-	258,686,175
- Issued promissory notes to parent	**145,503,478**	**38,736,312**	**-**	**-**	**184,239,790**	-	-	-	-	-
- Other borrowings	**34,041,515**	**54,410,589**	**-**	**-**	**88,452,104**	14,031,155	70,494,854	-	-	84,526,009
- Trade and other payables	**4,674,988**	**187,314**	**498,399**	**5,014**	**5,365,715**	4,056,571	120,624	639,068	7,500	4,823,763
Total liabilities	**198,793,371**	**121,484,101**	**9,598,172**	**5,014**	**329,880,658**	188,539,882	150,974,747	9,783,009	7,500	349,305,138

Company			**2021**					**2020**		
	USD	**Euro**	**Sterling**	**Other**	**Total**	**USD**	**Euro**	**Sterling**	**Other**	**Total**
Assets		**USD**	**USD**	**USD**	**USD**		**USD**	**USD**	**USD**	**USD**
- Forfaiting assets held for trading	**310,064,672**	**120,605,928**	**9,314,603**	**-**	**439,985,203**	294,254,934	148,996,727	9,074,886	-	452,326,547
- Cash and cash equivalents	**218,725**	**132,031**	**70,190**	**-**	**420,946**	81,092	39,423	149,545	-	270,060
- Trade and other receivables	**566,475**	**139,433**	**115,966**	**-**	**821,874**	860,602	41,446	108,055	-	1,010,103
Total Assets	**310,849,872**	**120,877,392**	**9,500,759**	**-**	**441,228,023**	295,196,628	149,077,596	9,332,486	-	453,606,710
Liabilities										
- Lease Liabilities	**-**	**-**	**823,326**	**-**	**823,326**	-	-	1,138,327	-	1,138,327
- Bank overdraft	**14,519,560**	**28,149,886**	**8,276,447**	**-**	**50,945,893**	170,321,292	80,359,269	8,005,614	-	258,686,175
- Issued promissory notes to parent	**145,503,478**	**38,736,312**	**-**	**-**	**184,239,790**	-	-	-	-	-
- Other borrowings	**34,041,515**	**54,410,589**	**-**	**-**	**88,452,104**	14,031,155	70,494,854	-	-	84,526,009
- Trade and other payables	**4,622,521**	**187,314**	**498,399**	**-**	**5,308,234**	4,004,842	120,624	639,068	-	4,764,534
Total liabilities	**198,687,074**	**121,484,101**	**9,598,172**	**-**	**329,769,347**	188,357,289	150,974,747	9,783,009	-	349,115,045

Notes to the financial statements (continued)

19. Financial instruments (continued)

Market risk - Currency risk (continued)

A 10 percent strengthening of the US Dollar against the other currencies as at 31 December 2021 would have impacted equity and the profit by USD 62,993 loss (2020: USD 207,325 loss). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2020. 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 Risk Free Rates (RFRs). 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 2021 was a profit of USD 16,220 profit (2020: USD 6,104 profit). 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 RFR 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 2021 would reduce the Group and Company's profit before tax by approximately USD 2,835,580 (2020: USD 1,115,543).

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 180 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.

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Notes to the financial statements (continued)

19. Financial instruments (continued)
Liquidity risk (continued)

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

Group	Total USD	Total Undiscounted Contractual Cashflows USD	6 months or less USD	6-12 Months USD	1-2 Years USD	2-5 Years USD
2021						
Lease Liabilities	**877,156**	**912,667**	**210,532**	**191,050**	**340,724**	**170,361**
Bank overdraft	**50,945,893**	**51,001,928**	**51,001,928**	**-**	**-**	**-**
Issued promissory notes to parent	**184,239,790**	**184,504,319**	**184,504,319**	**-**	**-**	**-**
Other borrowings	**88,452,104**	**88,658,908**	**88,658,908**	**-**	**-**	**-**
Amounts due to parent	**504,482**	**504,482**	**504,482**	**-**	**-**	**-**
Accruals & deferred income	**4,861,233**	**4,958,641**	**3,898,753**	**8,990**	**253,085**	**797,813**
Total	**329,880,658**	**330,540,945**	**328,778,922**	**200,040**	**593,809**	**968,174**
2020						
Lease Liabilities	1,269,191	1,343,614	210,941	212,111	404,740	515,822
Bank overdraft	258,686,175	259,048,945	259,048,945	-	-	-
Other borrowings	84,526,009	84,712,814	84,712,814	-	-	-
Amounts due to parent	598,036	598,036	598,036	-	-	-
Accruals & deferred income	4,225,727	4,243,199	3,090,927	12,003	341,893	798,376
Total	349,305,138	349,946,608	347,661,663	224,114	746,633	1,314,198

The amount of USD 50,945,893 on the Bank Overdraft is repayable within 90 days (2020: USD 258,686,175).

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
2021						
Lease Liabilities	**823,326**	**851,809**	**170,362**	**170,362**	**340,724**	**170,361**
Bank overdraft	**50,945,893**	**51,001,928**	**51,001,928**	**-**	**-**	**-**
Issued promissory notes to parent	**184,239,790**	**184,504,319**	**184,504,319**	**-**	**-**	**-**
Other borrowings	**88,452,104**	**88,658,908**	**88,658,908**	**-**	**-**	**-**
Amounts due to parent	**504,482**	**504,482**	**504,482**	**-**	**-**	**-**
Accruals & deferred income	**4,803,752**	**4,903,209**	**3,843,322**	**8,989**	**253,085**	**797,813**
Total	**329,769,347**	**330,424,655**	**328,683,321**	**179,351**	**593,809**	**968,174**
2020						
Lease Liabilities	1,138,327	1,203,586	171,941	171,941	343,882	515,822
Bank overdraft	258,686,175	259,048,945	259,048,945	-	-	-
Other borrowings	84,526,009	84,712,814	84,712,814	-	-	-
Amounts due to parent	598,036	598,036	598,036	-	-	-
Accruals & deferred income	4,166,498	4,183,971	3,027,157	16,545	341,893	798,376
Total	349,115,045	349,747,352	347,558,893	188,486	685,775	1,314,198

The amount of USD 50,945,893 on the Bank Overdraft is repayable within 90 days (2020: USD 258,686,175).

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Notes to the financial statements (continued)

19. Financial instruments (continued)

Effective interest rates and repricing analysis – Group

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

	2021							2020						
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	4.56	126,720,671	73,430,704	45,389,297	5,134,131	2,766,539	-	5.17	106,340,895	61,842,550	40,420,332	3,323,435	754,578	-
- Euro fixed rate	5.26	39,591,647	7,898,584	18,543,050	2,759,616	10,390,397	-	6.11	61,542,861	6,814,618	21,208,300	29,388,684	4,131,259	-
- GBP fixed rate	4.85	2,516,013	105,594	-	510,561	1,899,858	-	3.80	2,241,346	-	60,610	89,585	2,091,151	-
- USD floating rate	5.53	183,344,001	69,292,945	55,699,607	31,586,861	26,764,588	-	5.72	187,914,039	64,718,774	59,063,731	39,340,489	24,791,045	-
- Euro floating rate	4.09	81,014,281	39,946,720	17,682,682	10,010,909	13,373,970	-	4.61	87,453,867	32,320,008	16,242,096	12,232,776	23,260,123	3,398,864
- GBP floating rate	6.95	6,798,590				6,798,590	-	5.08	6,833,539	-	-	6,833,539	-	-
		439,985,203	190,674,547	137,314,636	50,002,078	61,993,942	-		452,326,547	165,695,950	136,995,069	91,208,508	55,028,156	3,398,864
Cash and cash equivalents	-	478,623	478,623	-	-	-	-	-	346,656	346,656	-	-	-	-
Lease Liabilities	3.29	(877,156)	(200,551)	(182,608)	(329,332)	(164,665)	-	3.24	(1,269,191)	(200,008)	(200,008)	(381,320)	(487,855)	-
		(877,156)	(200,551)	(182,608)	(329,332)	(164,665)	-		(1,269,191)	(200,008)	(200,008)	(381,320)	(487,855)	-
Bank overdraft														
- USD	1.20	(14,519,559)	(14,519,559)	-	-	-	-	1.76	(170,321,292)	(170,321,292)	-	-	-	-
- EUR	1.20	(28,149,887)	(28,149,887)	-	-	-	-	1.51	(80,359,269)	(80,359,269)	-	-	-	-
- GBP	2.00	(8,276,447)	(8,276,447)	-	-	-	-	1.79	(8,005,614)	(8,005,614)	-	-	-	-
		(50,945,893)	(50,945,893)	-	-	-	-		(258,686,175)	(258,686,175)	-	-	-	-
Issued Promissory notes to parent														
- USD	1.74	(145,503,478)	(145,503,478)	-	-	-	-	-	-	-	-	-	-	-
- GBP	1.77	(38,736,312)	(38,736,312)	-	-	-	-	-	-	-	-	-	-	-
		(184,239,790)	(184,239,790)	-	-	-	-		-	-	-	-	-	-
Other Borrowings	1.65	(88,452,104)	(88,452,104)	-	-	-	-	1.53	(84,526,009)	(84,526,009)	-	-	-	-
Total		115,948,883	(132,685,168)	137,132,028	49,672,746	61.829,277	-		108,191,828	(177,369,586)	136,795,061	90,827,188	54,540,301	3,398,864

Notes to the financial statements (continued)

19. Financial instruments (continued)

Effective interest rates and repricing analysis – Company

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

	2021							2020						
	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	4.56	126,720,671	73,430,704	45,389,297	5,134,131	2,766,539	-	5.17	106,340,895	61,842,550	40,420,332	3,323,435	754,578	-
-Euro fixed rate	5.26	39,591,647	7,898,584	18,543,050	2,759,616	10,390,397	-	6.11	61,542,861	6,814,618	21,208,300	29,388,684	4,131,259	-
-GBP fixed rate	4.85	2,516,013	105,594	-	510,561	1,899,858	-	3.80	2,241,346	-	60,610	89,585	2,091,151	-
-USD floating rate	5.53	183,344,001	69,292,945	55,699,607	31,586,861	26,764,588	-	5.72	187,914,039	64,718,774	59,063,731	39,340,489	24,791,045	-
-Euro floating rate	4.09	81,014,281	39,946,720	17,682,682	10,010,909	13,373,970	-	4.61	87,453,867	32,320,008	16,242,096	12,232,776	23,260,123	3,398,864
-GBP floating rate	6.95	6,798,590				6,798,590	-	5.08	6,833,539	-	-	6,833,539	-	-
		439,985,203	190,674,547	137,314,636	50,002,078	61,993,942	-		452,326,547	165,695,950	136,995,069	91,208,508	55,028,156	3,398,864
Cash and cash equivalents	-	420,946	420,946					-	270,060	270,060	-	-	-	-
Lease Liabilities	3.37	(823,327)	(164,665)	(164,665)	(329,332)	(164,665)	-	3.37	(1,138,327)	(162,618)	(162,618)	(325,236)	(487,855)	-
		(823,327)	(164,665)	(164,665)	(329,332)	(164,665)	-		(1,138,327)	(162,618)	(162,618)	(325,236)	(487,855)	-
Bank overdraft														
-USD	1.20	(14,519,559)	(14,519,559)	-	-	-	-	1.76	(170,321,292)	(170,321,292)	-	-	-	-
-EUR	1.20	(28,149,887)	(28,149,887)	-	-	-	-	1.51	(80,359,269)	(80,359,269)	-	-	-	-
-GBP	2.00	(8,276,447)	(8,276,447)	-	-	-	-	1.79	(8,005,614)	(8,005,614)	-	-	-	-
		(50,945,893)	(50,945,893)	-	-	-	-		(258,686,175)	(258,686,175)	-	-	-	-
Issued Promissory notes to parent														
-USD	1.74	(145,503,478)	(145,503,478)	-	-	-	-	-	-	-	-	-	-	-
-GBP	1.77	(38,736,312)	(38,736,312)	-	-	-	-	-	-	-	-	-	-	-
		(184,239,790)	(184,239,790)	-	-	-	-		-	-	-	-	-	-
Other borrowings	1.65	(88,452,104)	(88,452,104)	-	-	-	-	1.53	(84,526,009)	(84,526,009)	-	-	-	-
Total		115,524,089	(133,127,905)	137,149,971	49,672,746	61,829,277	-		108,246,096	(177,408,792)	136,832,451	90,883,272	54,540,301	3,398,864

Notes to the financial statements (continued)

19. Financial instruments (continued)

Credit risk

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

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 39.

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.

ln 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 2021, 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 2021 USD	Fair Value 2021 USD	Gross Value 2020 USD	Fair Value 2020 USD
Not past due	**443,316,586**	**436,450,585**	457,661,657	448,089,794
Past due [0-30 days]	**-**	**-**	-	-
Past due [31-120 days]	**140,739**	**138,646**	-	-
More than 120 days	**5,159,789**	**3,395,972**	5,840,957	4,236,753
Total	**448,617,114**	**439,985,203**	463,502,614	452,326,547

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

	Group 2021 USD	Group 2020 USD	Company 2021 USD	Company 2020 USD
Realised upward fair valuation	**6,763,148**	5,839,964	**6,763,148**	5,839,964
Realised downward fair valuation	**(1,160,609)**	(1,215,793)	**(1,160,609)**	(1,215,793)
Unrealised upward fair valuation	**3,109,893**	3,197,122	**3,109,893**	3,197,122
Unrealised downward fair valuation	**(1,678,887)**	(4,589,036)	**(1,678,887)**	(4,589,036)
Amounts reversed from written off assets	**-**	-	**-**	-
	7,033,545	3,232,257	**7,033,545**	3,232,257

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

Notes to the financial statements (continued)

19. Financial instruments (continued)

Operational risks

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

The Company has an Operational Risk Management Committee to identify, monitor and assess operational risk. The committee includes the Chief Executive Officer, Chief Financial Officer, Head of Operations, Head of Credit, Head of Trading and the MLRO.

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)

20. Lease Liabilities

Leases as lessee

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
As at 1 January	**1,269,191**	1,419,027	**1,138,327**	1,372,250
Additions	**-**	155,273	**-**	-
Interest expense	**39,086**	45,089	**36,951**	42,876
Payments	**(431,121)**	(350,198)	**(351,951)**	(276,799)
Balance at 31 December	**877,156**	1,269,191	**823,327**	1,138,327

As at 31 December 2021, the Group had 6 property leases (2020: 6 property leases). Of these 6 leases, 2 of them relate to ROU leases (2020: 2 ROU leases) and 4 of the leases (2020: 4) term is less than twelve months and therefore considered short-term leases. The expenses in FY20 relating to these short-term leases is USD 100,200 (2020: USD 100,376).

Non-cancellable leases are payable as follows:

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Less than one year	**383,159**	379,478	**329,330**	304,611
Between one and five years	**493,997**	889,713	**493,997**	833,716
More than five year	**-**	-	**-**	-
	877,156	1,269,191	**823,327**	1,138,327

The Group does not have any leases as lessor.

21. Commitments and contingencies

As part of its normal trade finance activity, the Group has entered into various confirmed credits and commitments, both of which are contingent upon the fulfilment of documentary conditions on the part of its customers. As at 31 December 2021 these totalled USD 65,396,834 (2020: USD 16,810,427) for both the Group and the Company as shown in the table below:

	Group	
	2021	2020
	USD	USD
Forfaiting assets held for trading commitments	**38,371,323**	15,605,454
Letter of Credit confirmations	**26,606,695**	792,230
Conditional guarantees	**418,816**	412,743
	65,396,834	16,810,427

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)

22. 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.

During the year, the Company received USD 10,158 (2020: 55,623) in fee and commissions received and paid USD 44,973 (2020: USD 48,196) in fees and commissions paid with FIMBank plc.

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 2021, the Group and Company has three money market loans with Tunis International Bank S.A for USD 5.00m, USD 6.02m and USD 3.00m maturing on 21 January 2022, 7 February 2022 and 21 March 2022 respectively.

The Company has a 90-day rolling bank overdraft facility of with its parent, FIMBank plc. As at 31 December 2021, the balance is USD 50,945,893 (2020: USD 258,686,175). As at 31 December 2021, the Company had issued promissory notes to its parent, FIMBank plc, to the value of USD 184,239,790 (2020: nil). Furthermore, there are amounts due to/by parent, which are set out in notes 12, 13 and 17 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.

For 2021, the total payments received by the key management personnel from the Company and the Group were:

(i) short-term employee benefits - USD 3,100,185
(ii) post-employment benefits - USD 561,504
(iii) other long-term benefits - nil
(iv) termination benefits – USD 79,849

23. 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.

Malta Business Registry,
AM Business Centre,
Triq il-Labour,
Zejtun ZTN 2401,
Malta

The ultimate parent company of FIMBank p.l.c. is Kuwait Projects Company (Holding) K.S.C.P. ("KIPCO") a company registered in Kuwait. The registered address is KIPCO Tower, Khalid Bin Al Waleed Street, Sharq, Kuwait City.

Income statement - 5 year summary
(unaudited)

Group	2021	2020	2019	2018	2017
	USD	USD	USD	USD	USD
Trading income	**24,518,744**	23,713,685	29,663,165	29,961,636	21,229,937
Administrative expenses	**(9,228,251)**	(7,803,561)	(9,054,684)	(8,628,630)	(6,399,039)
Other operating income	**350,000**	58,333	-	746,593	-
Operating profit before financing costs	**15,640,493**	15,968,457	20,608,481	22,079,599	14,830,898
Net Financing expense	**(5,666,925)**	(6,957,829)	(8,096,278)	(6,828,271)	(6,348,030)
Profit before tax	**9,973,568**	9,010,628	12,512,203	15,251,328	8,482,868
Income tax	**(1,885,667)**	(1,637,070)	(1,766,926)	(1,405,556)	(149,669)
Profit for the year attributable to equity holders of the parent	**8,087,901**	7,373,558	10,745,277	13,845,772	8,333,199

LONDON FORFAITING COMPANY LTD

Statements of financial position - 5 year summary
(unaudited)

Group	2021	2020	2019	2018	2017
	USD	USD	USD	USD	USD
Assets					
Plant and equipment	**1,086,084**	1,507,280	1,773,322	112,474	99,450
Deferred tax assets	**2,571,406**	4,169,406	5,549,406	6,689,406	7,259,406
Non-current assets	**3,657,490**	5,676,686	7,322,728	6,801,880	7,358,856
Forfaiting assets - held for trading	**439,985,203**	452,326,547	460,238,536	347,284,967	252,509,144
Cash and cash equivalents	**478,623**	346,656	461,713	228,068	6,367,849
Trade and other receivables	**858,271**	1,066,277	3,981,070	2,613,725	4,400,074
Current assets	**441,322,097**	453,739,480	464,681,319	350,126,760	263,277,067
Total assets	**444,979,587**	459,416,166	472,004,047	356,928,640	270,635,923
Equity					
Issued capital	**109,100,000**	97,000,000	90,000,000	50,000,000	40,000,000
Retained earnings	**5,998,929**	13,111,028	12,737,470	41,992,193	38,146,421
Total equity attributable to owners of the Company	**115,098,929**	110,111,028	102,737,470	91,992,193	78,146,421
Liabilities					
Lease Liability	**877,156**	1,269,191	1,419,027	-	-
Non-current liabilities	**877,156**	1,269,191	1,419,027	-	-
Bank overdraft	**50,945,893**	258,686,175	248,465,407	130,287,629	48,875,237
Issued promissory notes to parent	**184,239,790**	-	-	-	-
Other Borrowings	**88,452,104**	84,526,009	112,634,855	113,202,873	133,650,296
Trade and other payables	**5,365,715**	4,823,763	6,747,288	21,445,945	9,963,969
Current liabilities	**329,003,502**	348,035,947	367,847,550	264,936,447	192,489,502
Total liabilities	**329,880,658**	349,305,138	369,266,577	264,936,447	192,489,502
Total equity and liabilities	**444,979,587**	459,416,166	472,004,047	356,928,640	270,635,923

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	Paul Wright
Head of Compliance & MLRO	Paul Bohannon
Head of Operations	Lorna Pillow
Head of Credit	Hunter Thompson
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	Vasily Kirov
Senior Managers	James Bragg Yonca Sarp Colin Stone Sandro Valladares
Executive Personal Assistant / Head of Human Resources	Mary Louise Long

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