



# Annual Report 2022

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

London Forfaiting Company Limited  
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Registered Number 1733470

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## 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 first part of 2022 saw much market uncertainty following the commencement of the Ukraine-Russia conflict and although it had a limited effect in the markets where LFC is active, trade volumes in general were lower. The latter part of the year saw a significant increase in interest rates. Whilst this resulted in higher returns, it also required increased monitoring of the portfolio because borrowers had higher interest payments to honour.

LFC's 2022 financial performance was adversely impacted by the non-payment of two assets held for trading. As a result, fair valuation of forfaiting assets and derivatives held for trading was significantly lower. LFC together with a wider group of creditors are currently in negotiations with the two borrowers regarding settlement of the overdue assets. Whilst a recovery is expected, it is too early to speculate as to the quantum. To reflect the uncertain recovery value, the fair values of these assets have been revised downwards.

LFC reported significantly lower profits after tax for 2022 of USD 734,040 (2021: USD 8,087,901), representing a 91% decrease from the previous year. Trading Income of USD 16,587,574 was 32% lower than the previous year (2021: USD 24,518,744). Furthermore, net financing expense increased significantly to USD 8,062,494 (2021: USD 5,666,925) largely due to the increase interest rates, whilst administration expenses decreased for the period under review by 20% from USD 9,228,251 in 2021 to USD 7,337,799 in 2022. As a consequence of the lower profit, the tax charge for the year also decreased to USD 803,241 (2021: USD 1,885,667).

The net effect of these factors resulted in a profit after tax of USD 734,040 to our shareholders in 2022. During the year, LFC distributed USD 1,500,000 in scrip dividends.

### Trading income

LFC's Forfaiting Yield was 13% higher at USD 19,850,691 (2021: USD 17,521,343) which was as a result of the higher interest rates. During Q4 2022, interest rates were significantly higher and this resulted in the increased contribution to Forfaiting yield as the average portfolio was largely the same.

Fair valuation movements of forfaiting assets held for trading and derivative financial instruments decreased significantly from USD 7,033,546 in 2021 to USD (3,248,526) in 2022, which represents a decrease of 146%. As mentioned above, the decrease was largely due to two forfaiting assets held for trading which were not paid at maturity. LFC's fair valuation policy resulted in marking these assets downwards significantly in 2022. The unrealised downward fair valuation for the year was USD 10,688,932. At the reporting date, the fair valuation level of these two assets are low and although LFC will be working to recover amounts from these assets, the downward fair valuation taken on these assets have been absorbed in 2022.

In addition to lower fair valuation movements of forfaiting assets held for trading and derivative financial instruments, net fees and commission expense decreased from USD 36,145 in 2021 to USD 14,591 in 2022.

As a result of the higher Forfaiting yield, lower fair valuation movements of forfaiting assets held for trading and lower net fees and commissions expense, Trading Income was 32% lower at USD 16,587,574 (2021: USD 24,518,744)

## Strategic Report (continued)

### Net financing expense

LFC's parent, FIMBank plc. continued to provide funding, by means of a bank overdraft and short-term promissory notes to help support funding of the forfaiting portfolio held for trading. Whilst the bank overdraft increased by 207% from USD 50,945,893 in 2021 to USD 156,262,669 in 2022, this was offset by the lower Issued promissory notes to parent of USD 98,474,041 in 2022 (2021: USD 184,239,790). External borrowings were 16% lower at USD 74,216,459 (2021: USD 88,452,104). With higher funding rates, net financing costs increased 42% to USD 8,062,494 (2021: USD 5,666,925).

### Administrative expenses

LFC continually monitors its administrative expenses, which at USD 7,337,799 (2021: USD 9,228,251) were 20% lower for the year. In 2022, LFC reacted to the change in its business environment caused by the pandemic and weaker financial performance to oversee a reduction in costs. The lower administrative expenses in 2022 was reflective of performance related costs and favourable exchange rates.

### 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 1,600,152, as at 31 December 2022 as appropriate and reasonable. During the year, USD 971,254 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 2022, LFC had nine joiners and ten leavers from a total staff count of 38 (2021: five joiners and eight leavers from a total staff count of 39). 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.

## Strategic Report (continued)

### Key risks, uncertainties, and Outlook

The impact of rising interest rates 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. Continued active monitoring is required on all forfaiting assets held for trading as payment delays are beginning to be experienced in certain trade finance markets. LFC will continue to react and mitigate these risks to continue to produce a positive contribution to its shareholder.

Although a number of factors continue to affect trade finance supply chains requiring enhanced monitoring of the portfolio, the previously high impact of COVID-19 has diminished. Notwithstanding difficult market conditions, LFC has been able to capitalise on opportunities which have been created and continually source remunerative transactions. 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, as well as the use of various techniques to mitigate risks, to ensure ongoing positive performance.

Inflation and increased commodity pricing continue to place upward pressures on interest rates, although the market now expects interest rate levels to peak lower than previously anticipated. Where appropriate LFC employs hedging techniques and derivatives to minimise exposure to interest rate risks.

Funding is secured from our own capital, our ability to attract external funding, and financing we receive from our immediate parent, related parties and/or our ultimate owners, Kuwait Projects Company Holding K.S.C.P. (KIPCO).

### Going concern

The 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 lower profitability, the positive contribution in the year 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 results. We also thank our shareholders for their continued support and commitment to LFC's business activities.

## 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, 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 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 2022 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  
2 March 2023



**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 2022.

### **Results and dividends**

LFC's profit after tax for the year 2022 was USD 734,040 (2021: USD 8,087,901). The Directors approved the payment of a scrip dividend of USD 1,500,000 during the year (2021: USD 12,100,000). The scrip dividend was paid from the issue of 1,500,000 bonus shares at USD 1 per share.

### **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 2022, (2021: 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 2022.

### **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**

2 March 2023  
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 2022 which comprise the consolidated and parent company statement of financial position as at 31 December 2022, 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 2022 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 Forfeiting 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 forfeiting 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 Forfeiting 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 Forfeiting 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](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Richard Pinks (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
2 March 2023

## Income statements

For the year ended 31 December 2022

	Note	Group		Company	
		2022 USD	2021 USD	2022 USD	2021 USD
Trading income	4	16,587,574	24,518,744	15,196,943	23,381,428
Administrative expenses	5	(7,337,799)	(9,228,251)	(6,271,755)	(8,250,428)
Other operating income	6	350,000	350,000	645,974	532,984
<b>Operating profit</b>		<b>9,599,775</b>	15,640,493	<b>9,571,162</b>	15,663,984
Finance income	7	1,452	1,521	498	1,218
Finance costs	7	(8,063,946)	(5,668,446)	(8,047,676)	(5,660,718)
<b>Net finance costs</b>	7	<b>(8,062,494)</b>	(5,666,925)	<b>(8,047,178)</b>	(5,659,500)
<b>Profit before tax</b>		<b>1,537,281</b>	9,973,568	<b>1,523,984</b>	10,004,484
Income tax expense	8	(803,241)	(1,885,667)	(803,241)	(1,885,667)
<b>Profit for the year attributable to equity holders of the company</b>		<b>734,040</b>	8,087,901	<b>720,743</b>	8,118,817

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 comprehensive income

For the year ended 31 December 2022

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Profit for the year</b>	<b>734,040</b>	8,087,901	<b>720,743</b>	8,118,817
<b>Other comprehensive income for the year, net of tax</b>	-	-	-	-
<b>Total comprehensive income for the year attributable to equity holders of the company</b>	<b>734,040</b>	8,087,901	<b>720,743</b>	8,118,817

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 2022

	Note	Group		Company	
		2022 USD	2021 USD	2022 USD	2021 USD
<b>Assets</b>					
Plant and equipment	9	1,294,545	1,086,084	640,644	1,026,549
Deferred tax assets	11	1,600,152	2,571,406	1,600,152	2,571,406
<b>Non-current assets</b>		<b>2,894,697</b>	<b>3,657,490</b>	<b>2,240,796</b>	<b>3,597,955</b>
Forfaiting assets – held for trading	18	444,583,661	439,985,203	444,583,661	439,985,203
Trade and other receivables	12	1,536,846	858,271	1,409,389	821,874
Cash and cash equivalents	13	652,906	478,623	636,120	420,946
<b>Current assets</b>		<b>446,773,413</b>	<b>441,322,097</b>	<b>446,629,170</b>	<b>441,228,023</b>
<b>Total assets</b>		<b>449,668,110</b>	<b>444,979,587</b>	<b>448,869,966</b>	<b>444,825,978</b>
<b>Liabilities</b>					
Lease liability	20	1,143,458	877,156	453,720	823,326
<b>Non-current liabilities</b>		<b>1,143,458</b>	<b>877,156</b>	<b>453,720</b>	<b>823,326</b>
Bank overdraft	13	156,262,669	50,945,893	156,262,669	50,945,893
Issued promissory notes to parent	14	98,474,041	184,239,790	98,474,041	184,239,790
Loans and borrowings	15	74,216,459	88,452,104	74,216,459	88,452,104
Trade and other payables	17	3,738,514	5,365,715	3,685,703	5,308,234
<b>Current liabilities</b>		<b>332,691,683</b>	<b>329,003,502</b>	<b>332,638,872</b>	<b>328,946,021</b>
<b>Total liabilities</b>		<b>333,835,141</b>	<b>329,880,658</b>	<b>333,092,592</b>	<b>329,769,347</b>
<b>Equity</b>					
Share capital	16	110,600,000	109,100,000	110,600,000	109,100,000
Retained earnings		5,232,969	5,998,929	5,177,374	5,956,631
Total equity attributable to owners of the Company		115,832,969	115,098,929	115,777,374	115,056,631
<b>Total equity and liabilities</b>		<b>449,668,110</b>	<b>444,979,587</b>	<b>448,869,966</b>	<b>444,825,978</b>

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 2 March 2023 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 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
<b>Balance at 1 January 2022</b>	<b>109,100,000</b>	<b>5,998,929</b>	<b>115,098,929</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>734,040</b>	<b>734,040</b>
<b>Transactions with owners of the company</b>			
<b>Bonus shares issued from retained earnings</b>	<b>1,500,000</b>	<b>(1,500,000)</b>	<b>-</b>
<b>Balance at 31 December 2022</b>	<b>110,600,000</b>	<b>5,232,969</b>	<b>115,832,969</b>

  

Company	Share Capital USD	Retained earnings USD	Total equity USD
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
<b>Balance at 1 January 2022</b>	<b>109,100,000</b>	<b>5,956,631</b>	<b>115,056,631</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>720,743</b>	<b>720,743</b>
<b>Transactions with owners of the company</b>			
<b>Bonus shares issued from retained earnings</b>	<b>1,500,000</b>	<b>(1,500,000)</b>	<b>-</b>
<b>Balance at 31 December 2022</b>	<b>110,600,000</b>	<b>5,177,374</b>	<b>115,777,374</b>

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 2022

	Note	Group 2022 USD	2021 USD	Company 2022 USD	2021 USD
<b>Cash flows from operating activities</b>					
Net proceeds from purchase, sale & maturity of forfaiting assets held for trading including realised forfaiting yield		15,252,233	29,862,687	15,252,233	29,862,687
Interest income received		1,452	1,521	498	1,218
Interest expense paid		(8,025,728)	(5,629,360)	(8,010,725)	(5,623,767)
Fees and commissions received		1,165,978	1,031,781	1,165,978	1,031,781
Fees and commissions paid		(830,569)	(717,926)	(2,221,200)	(1,855,242)
Realised fair value gain on forfaiting assets held for trading		2,850,865	5,602,540	2,850,865	5,602,540
Payment to employees and suppliers		(6,841,928)	(8,757,887)	(5,872,208)	(7,851,066)
Cash (outflow) before changes in operating assets/liabilities		3,572,303	21,393,356	3,165,441	21,168,151
<b>(Increase) / decrease in operating assets:</b>					
Amounts due from parent		(483,624)	14,647	(483,624)	14,647
Prepayments, accrued income and other debtors		(6,294,767)	1,631,651	(5,907,308)	1,787,572
<b>Increase / (decrease) in operating liabilities:</b>					
Amounts due to parent		21,003	(93,554)	21,003	(93,554)
Other liabilities		(1,521,710)	675,560	(1,517,465)	684,594
Net cash from/ (used in) operating activities before income tax		(8,279,098)	2,228,304	(7,887,394)	2,393,259
Tax paid		41,944	(335,007)	41,944	(335,007)
<b>Net cash used in operating activities</b>		(4,664,851)	23,286,653	(4,680,009)	23,226,403
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(14,970)	(49,168)	(13,642)	(49,168)
Recovery from subsidiary		-	-	-	-
<b>Net cash from investing activities</b>		(14,970)	(49,168)	(13,642)	(49,168)
<b>Cash flows from financing activities</b>					
Net receipts from/ (payments to) bank overdraft		105,316,776	(207,740,282)	105,316,776	(207,740,282)
Net funds from promissory notes issued to parent		(85,765,749)	184,239,790	(85,765,749)	184,239,790
Net payments of external borrowings		(14,235,645)	3,926,095	(14,235,645)	3,926,095
Dividends and coupons paid to equity holders		-	(3,100,000)	-	(3,100,000)
Payment of lease liability		(461,278)	(431,121)	(406,557)	(351,952)
<b>Net cash from financing activities</b>		4,854,104	(23,105,518)	4,908,825	(23,026,349)
Net (decrease)/ increase in cash and cash equivalents		174,283	131,967	215,174	150,886
Cash and cash equivalents at 1 January		478,623	346,656	420,946	270,060
<b>Cash and cash equivalents at 31 December</b>	13	652,906	478,623	636,120	420,946

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 2022 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 2 March 2023.

#### (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 2022, there are no intra-group guarantees, (2021: nil).

## 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

The Group and Company have no transactions that are affected by 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:

- Classification of Liabilities as Current or Non-current (Amendment so IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

### 4. Trading income

Net gain on financial instruments held for trading:  
Forfaiting yield  
Fair valuation of forfaiting assets held for trading and derivative financial instruments

Fees and commissions income  
Fees and commissions expenses

Group		Company	
2022	2021	2022	2021
USD	USD	USD	USD
19,850,691	17,521,343	19,850,691	17,521,343
(3,248,526)	7,033,546	(3,248,526)	7,033,546
16,602,165	24,554,889	16,602,165	24,554,889
815,978	681,781	815,978	681,781
(830,569)	(717,926)	(2,221,200)	(1,855,242)
16,587,574	24,518,744	15,196,943	23,381,428

Included within the Company's fees and commissions expense is an amount of USD1,391,682 (2021: USD 1,137,546) payable to subsidiaries for marketing services.

## Notes to the financial statements (continued)

### 5. Administrative expenses

	Group		Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Staff cost				
Wages, salaries and allowances	4,732,712	5,912,307	3,942,680	5,136,200
Social security costs	492,526	691,022	444,521	641,426
Pension costs	208,240	152,612	185,923	132,809
Operating lease expenses	221,755	255,858	213,952	252,318
Auditor's remuneration:				
Audit of these financial statements	162,592	182,309	162,592	182,309
Amount receivable by Auditor's and their associates in respect of services:				
- review of interim information	96,351	108,035	96,351	108,035
- other services relating to taxation	2,780	2,803	2,780	2,803
Other professional fees	(99,309)	575,203	(119,461)	567,605
Other administrative expenses	1,520,152	1,348,102	1,342,417	1,226,923
	<b>7,337,799</b>	<b>9,228,251</b>	<b>6,271,755</b>	<b>8,250,428</b>

Other professional fees were significantly lower in 2022 due to the cancellation of projects relating to business strategies which will be reviewed in 2023, giving rise to an exceptional low charge in 2022.

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	
	2022	2021	2022	2021
Average number of employees at the end of the year:				
- forfaiting and loan officers	13	14	10	9
- other staff	24	25	22	22
	<b>37</b>	<b>39</b>	<b>32</b>	<b>31</b>

As at 31 December 2022, there were 5 employees in London Forfaiting Americas Inc. (2021: 4 employees) and 1 in London Forfaiting do Brasil Ltda. (2021: 2 employee).

### Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Group		Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Directors' Remuneration	40,000	40,000	40,000	40,000
Company contributions to money purchase pension plans	-	-	-	-
	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>

The aggregate of emoluments and amounts receivable for the highest paid Director is USD 28,000 (2021: 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.

## Notes to the financial statements (continued)

### 6. Other operating income

	Group		Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Management fee from the parent	350,000	350,000	350,000	350,000
Recovery of loan to subsidiary	-	-	295,974	182,984
	<b>350,000</b>	<b>350,000</b>	<b>645,974</b>	<b>532,984</b>

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 2022, the Company has recovered USD 1,254,274.

### 7. Net finance costs

	Group		Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
<b>Interest income</b>				
Receivable from parent	487	1,104	487	1,104
Other	965	417	11	114
Financial income	<b>1,452</b>	<b>1,521</b>	<b>498</b>	<b>1,218</b>
<b>Interest expense</b>				
Payable to parent	(5,897,403)	(4,045,066)	(5,897,403)	(3,665,685)
Payable to third parties	(2,010,117)	(1,321,838)	(2,010,117)	(1,701,219)
Lease interest expense	(38,218)	(39,086)	(23,963)	(36,951)
Net exchange losses and other charges	(118,208)	(262,456)	(116,193)	(256,863)
Financial expenses	<b>(8,063,946)</b>	<b>(5,668,446)</b>	<b>(8,047,676)</b>	<b>(5,660,718)</b>
Net financing expenses	<b>(8,062,494)</b>	<b>(5,666,925)</b>	<b>(8,047,178)</b>	<b>(5,659,500)</b>

### 8. Income tax

	Group		Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
<b>Current tax expense</b>				
Current year	292,083	287,667	292,083	287,667
Changes in estimates related to prior years	(154,938)	-	(154,938)	-
<b>Deferred tax expense</b>				
Benefit of tax losses recognised	666,096	1,598,000	666,096	1,598,000
Income tax expense	<b>803,241</b>	<b>1,885,667</b>	<b>803,241</b>	<b>1,885,667</b>

### Reconciliation of effective tax rate

	Group		Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Profit before tax	1,537,281	9,973,568	1,523,984	10,004,484
Tax using the UK Corporation tax rate of 19% (2021: 19%)	292,083	1,894,978	289,557	1,900,852
Effects of:				
Expenses/(income) disregarded for tax purposes	1,416	1,318	1,045	1,220
Depreciation in excess of capital allowances	6,734	6,214	6,205	5,836
Adjustment re prior periods	(154,938)	-	(154,938)	-
Utilisation of tax losses brought forward	(8,150)	(16,843)	(4,724)	(22,241)
Deferred tax impairment	666,096	-	666,096	-
Income tax expense	<b>803,241</b>	<b>1,885,667</b>	<b>803,241</b>	<b>1,885,667</b>

## Notes to the financial statements (continued)

### 8. Income tax (continued)

Tax liability reconciliation (Group and Company)

	2022 USD	2021 USD
Balances at 1 January	152,133	199,889
Payments to the tax authorities	(126,069)	(335,007)
Exchange differences	(26,064)	(416)
Charge for the year	-	287,667
Balances at 31 December	-	152,133

### 9. Plant and equipment Group

	Land and Buildings USD	Leasehold Improvements USD	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
<b>Cost</b>					
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	<b>1,380,169</b>	<b>407,017</b>	<b>707,449</b>	<b>67,124</b>	<b>2,561,759</b>
Balance at 1 January 2022	1,380,169	407,017	707,449	67,124	2,561,759
Additions/ ROU recognition	689,363	-	14,968	-	704,331
Disposals / ROU derecognition	(155,273)	-	-	-	(155,273)
Balance at 31 December 2022	<b>1,914,259</b>	<b>407,017</b>	<b>722,417</b>	<b>67,124</b>	<b>3,110,817</b>
<b>Depreciation</b>					
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	<b>675,133</b>	<b>176,431</b>	<b>556,987</b>	<b>67,124</b>	<b>1,475,675</b>
Balance at 1 January 2022	675,133	176,431	556,987	67,124	1,475,675
Depreciation charge for the year	338,516	81,403	75,951	-	495,870
Disposals	(155,273)	-	-	-	(155,273)
Balance at 31 December 2022	<b>858,376</b>	<b>257,834</b>	<b>632,938</b>	<b>67,124</b>	<b>1,816,272</b>
<b>Carrying amounts</b>					
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 1 January 2022	705,036	230,586	150,462	-	1,086,084
At 31 December 2022	<b>1,055,883</b>	<b>149,183</b>	<b>89,479</b>	<b>-</b>	<b>1,294,545</b>

At 31 December 2022, Land and Buildings includes the right-of-use assets of USD 1,055,883. 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	Leasehold Improvements	Fixtures, fittings and equipment	Motor Vehicles	Total
	USD	USD	USD	USD	USD
<b>Cost</b>					
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	<b>1,224,896</b>	<b>407,017</b>	<b>595,897</b>	<b>69,604</b>	<b>2,297,414</b>
Balance at 1 January 2022	<b>1,224,896</b>	<b>407,017</b>	<b>595,897</b>	<b>69,604</b>	<b>2,297,414</b>
Additions	-	-	13,640	-	13,640
Disposals	-	-	-	-	-
Balance at 31 December 2022	<b>1,224,896</b>	<b>407,017</b>	<b>609,537</b>	<b>69,604</b>	<b>2,311,054</b>
<b>Depreciation</b>					
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	<b>571,618</b>	<b>176,431</b>	<b>453,212</b>	<b>69,604</b>	<b>1,270,865</b>
Balance at 1 January 2022	<b>571,618</b>	<b>176,431</b>	<b>453,212</b>	<b>69,604</b>	<b>1,270,865</b>
Depreciation charge for the year	<b>244,979</b>	<b>81,403</b>	<b>73,163</b>	-	<b>399,545</b>
Disposals	-	-	-	-	-
Balance at 31 December 2022	<b>816,597</b>	<b>257,834</b>	<b>526,375</b>	<b>69,604</b>	<b>1,670,410</b>
<b>Carrying amounts</b>					
At 1 January 2021	898,257	302,584	175,902	-	1,376,743
At 31 December 2021	<b>653,278</b>	<b>230,586</b>	<b>142,685</b>	-	<b>1,026,549</b>
At 1 January 2022	<b>653,278</b>	<b>230,586</b>	<b>142,685</b>	-	<b>1,026,549</b>
At 31 December 2022	<b>408,299</b>	<b>149,183</b>	<b>83,162</b>	-	<b>640,644</b>

At 31 December 2022, Land and Buildings includes the right-of-use assets of USD 408,299. 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)

### 10. Investments in subsidiaries

#### Company

	2022 USD	2021 USD
<b>Cost</b>		
Balances at 1 January	47,710,291	47,710,291
Balances at 31 December	47,710,291	47,710,291
<b>Impairment</b>		
Balances at 1 January	47,710,291	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	
				2022	2021
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		Company	
	2022 USD	2021 USD	2022 USD	2021 USD
Tax value of loss carry-forwards Recognised	1,600,152	2,571,406	1,600,152	2,571,406

	Group		Company	
	2022 USD	2021 USD	2022 USD	2021 USD
Deferred tax asset brought forward	2,571,406	4,169,406	2,571,406	4,169,406
Utilised	(971,254)	(1,598,000)	(971,254)	(1,598,000)
Balance at 31 December	1,600,152	2,571,406	1,600,152	2,571,406

Recognition of the above deferred tax assets is based on management's five-year profit forecasts (2021: 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 1,600,152 (2021: USD 2,571,406)

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	
	2022	2021	2022	2021
	USD	USD	USD	USD
Amounts due from parent	487,039	3,415	487,039	3,415
Pre-payments and accrued income	720,737	649,909	605,524	614,720
Other debtors	329,070	204,947	316,826	203,739
	<b>1,536,846</b>	<b>858,271</b>	<b>1,409,389</b>	<b>821,874</b>

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

### 13. Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Cash at banks	638,101	461,991	621,315	404,314
Cash in hand	14,805	16,632	14,805	16,632
Cash at banks and in hand	<b>652,906</b>	<b>478,623</b>	<b>636,120</b>	<b>420,946</b>

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 (2021: USD 180 million). This facility is made available in USD, GBP, EUR, JPY and AED and is unsecured. The amount of USD 156,262,669 was drawn on the facility on the 31 December 2022 (2021: USD 50,945,893).

### 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	
	2022	2021
	USD	USD
As at 1 January	184,239,790	-
Issued	300,693,183	200,875,546
Repaid	(386,458,932)	(16,635,756)
Balance at 31 December	<b>98,474,041</b>	<b>184,239,790</b>

## Notes to the financial statements (continued)

### 15. Other borrowings

#### Group and Company

	2022 USD	2021 USD
Issued promissory notes	15,451,068	45,345,575
Money market loans	58,765,391	43,106,529
Other borrowings	74,216,459	88,452,104

### 16. Share capital

*In thousands of shares*

	2022	2021
In issue at 31 December – fully paid	110,600	109,100

At 31 December 2022, the paid share capital comprised of 110,600,000 (2021: 109,100,000) ordinary shares of USD 1 each. During the year, the Company paid its sole shareholder a scrip dividend of USD 1,500,000 (2021: 12,100,000) through the issue of 1,500,000 bonus shares at USD 1 per share. The Company did not pay a cash dividend this year, (2021: USD 3,100,000).

### 17. Trade and other payables

	Group		Company	
	2022 USD	2021 USD	2022 USD	2021 USD
Amounts due to parent	525,485	504,482	525,485	504,482
Accruals and deferred income	3,206,168	4,853,947	3,153,357	4,796,466
Cash collateral	6,861	7,286	6,861	7,286
	3,738,514	5,365,715	3,685,703	5,308,234

Included in accruals and deferred income is USD 0.7m (2021: 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 2022, this is expected to be 10 years (2021: 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 1.6m (2021: USD 2.6m) with the most significant amounts being for staff costs and professional fees. Furthermore, there is a tax liability of USD 270,782 (2021: USD 579,399) 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 94,720 (2021: USD 34,530) 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 2022 plus an adequate credit margin spread to discount forfaiting assets held for trading. The discount rates used are as follows:

	2022	2021
Forfaiting assets held for trading	5.13% - 12.86%	0.98% - 19.30%

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

	2022 USD	2021 USD
Balance at 1 January	439,985,203	452,326,547
Purchases	812,766,912	623,419,539
Settlements	(798,188,750)	(627,052,696)
Fair valuation adjustments	(6,099,393)	1,431,007
Movement in accrued interest	809,867	(779,205)
Exchange differences	(11,288,887)	(8,720,323)
Overdue now settled	(3,664,034)	(4,303,700)
Matured but not settled during the year	11,800,000	3,664,034
Assets written off	(1,537,257)	-
Balance at 31 December	444,583,661	439,985,203

## 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
	USD	USD	USD	USD	USD
<b>2022</b>					
<b>Assets</b>					
Cash and cash equivalents	-	652,906	-	652,906	652,906
Trade and other receivables	-	1,536,846	-	1,536,846	1,536,846
<b>Liabilities</b>					
Lease Liability	-	1,143,458	-	1,143,458	1,143,458
Bank overdraft	-	156,262,669	-	156,262,669	156,262,669
Issued promissory notes to parent	-	98,474,041	-	98,474,041	98,474,041
Other borrowings	-	74,216,459	-	74,216,459	74,216,459
Trade and other payables	-	3,738,514	-	3,738,514	3,738,514
<b>2021</b>					
<b>Assets</b>					
Cash and cash equivalents	-	478,623	-	478,623	478,623
Trade and other receivables	-	858,271	-	858,271	858,271
<b>Liabilities</b>					
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

  

Company	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
<b>2022</b>					
<b>Assets</b>					
Cash and cash equivalents	-	636,120	-	636,120	636,120
Trade and other receivables	-	1,409,389	-	1,409,389	1,409,389
<b>Liabilities</b>					
Lease Liability	-	453,720	-	453,720	453,720
Bank overdraft	-	156,262,669	-	156,262,669	156,262,669
Issued promissory notes to parent	-	98,474,041	-	98,474,041	98,474,041
Other borrowings	-	74,216,459	-	74,216,459	74,216,459
Trade and other payables	-	3,685,703	-	3,685,703	3,685,703
<b>2021</b>					
<b>Assets</b>					
Cash and cash equivalents	-	420,946	-	420,946	420,946
Trade and other receivables	-	821,874	-	821,874	821,874
<b>Liabilities</b>					
Lease Liability	-	823,326	-	823,326	823,326
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

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

## Notes to the financial statements (continued)

### 19. Financial instruments

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

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

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 2022, 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 2022
USD	USD LIBOR	SOFR	In progress (see below)
EUR	EURIBOR	EURIBOR (reformed)	Completed
EUR	EONIA	€STR	Completed
GBP	GBP LIBOR	SONIA	Completed

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	2022 USD	2021 USD
Americas	70,264,453	94,222,386
Asia	66,553,616	90,053,805
Central and Eastern Europe	5,358,040	-
Middle East & North Africa	10,613,428	5,230,109
Rest of Europe	144,470,835	156,828,919
Sub-Saharan Africa	147,323,289	93,649,984
	<b>444,583,661</b>	<b>439,985,203</b>

Counterparty type	2022 USD	2021 USD
Banks	235,636,762	226,135,844
Corporates	141,137,407	166,321,919
Sovereign	67,809,492	47,527,440
	<b>444,583,661</b>	<b>439,985,203</b>

## 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	2022					2021				
	USD	Euro USD	Sterling USD	Other USD	Total USD	USD	Euro USD	Sterling USD	Other USD	Total USD
Assets										
- Forfaiting assets held for trading	256,046,081	164,524,398	24,013,182	-	444,583,661	310,064,672	120,605,928	9,314,603	-	439,985,203
- Cash and cash equivalents	232,784	122,456	287,354	10,312	652,906	267,589	132,031	70,190	8,813	478,623
- Trade and other receivables	1,280,797	6,101	234,316	15,632	1,536,846	595,472	139,433	115,966	7,400	858,271
Total Assets	257,559,662	164,652,955	24,534,852	25,944	446,773,413	310,927,733	120,877,392	9,500,759	16,213	441,322,097
Liabilities										
- Lease Liabilities	689,738	-	453,720	-	1,143,458	53,830	-	823,326	-	877,156
- Bank overdraft	36,078,543	112,973,576	7,210,550	-	156,262,669	14,519,560	28,149,886	8,276,447	-	50,945,893
- Issued promissory notes to parent	55,968,185	26,203,381	16,302,475	-	98,474,041	145,503,478	38,736,312	-	-	184,239,790
- Other borrowings	50,199,371	24,017,088	-	-	74,216,459	34,041,515	54,410,589	-	-	88,452,104
- Trade and other payables	2,955,195	133,615	641,297	8,407	3,738,514	4,674,988	187,314	498,399	5,014	5,365,715
Total liabilities	145,891,032	163,327,660	24,608,042	8,407	333,835,141	198,793,371	121,484,101	9,598,172	5,014	329,880,658
Company	2022					2021				
	USD	Euro USD	Sterling USD	Other USD	Total USD	USD	Euro USD	Sterling USD	Other USD	Total USD
Assets										
- Forfaiting assets held for trading	256,046,081	164,524,398	24,013,182	-	444,583,661	310,064,672	120,605,928	9,314,603	-	439,985,203
- Cash and cash equivalents	226,309	122,456	287,355	-	636,120	218,725	132,031	70,190	-	420,946
- Trade and other receivables	1,168,972	6,101	234,316	-	1,409,389	566,475	139,433	115,966	-	821,874
Total Assets	257,441,362	164,652,955	24,534,853	-	446,629,170	310,849,872	120,877,392	9,500,759	-	441,228,023
Liabilities										
- Lease Liabilities	-	-	453,720	-	453,720	-	-	823,326	-	823,326
- Bank overdraft	36,078,543	112,973,576	7,210,550	-	156,262,669	14,519,560	28,149,886	8,276,447	-	50,945,893
- Issued promissory notes to parent	55,968,185	26,203,381	16,302,475	-	98,474,041	145,503,478	38,736,312	-	-	184,239,790
- Other borrowings	50,199,371	24,017,088	-	-	74,216,459	34,041,515	54,410,589	-	-	88,452,104
- Trade and other payables	2,910,791	133,615	641,297	-	3,685,703	4,622,521	187,314	498,399	-	5,308,234
Total liabilities	145,156,890	163,327,660	24,608,042	-	333,092,592	198,687,074	121,484,101	9,598,172	-	329,769,347

## 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 2022 would have impacted equity and the profit by USD 115,422 loss (2021: USD 62,993 loss). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis as for 2021. 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 2022 was a profit of USD 26,929 profit (2021: USD 16,220 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 2022 would reduce the Group and Company's profit before tax by approximately USD 222,450 (2021: USD 2,835,580).

#### 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.

## 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	Over 5 Years USD
<b>2022</b>							
Lease Liabilities	1,143,458	1,272,353	165,289	232,049	322,104	523,226	29,685
Bank overdraft	156,262,669	156,783,076	156,783,076	-	-	-	-
Issued promissory notes to parent	98,474,041	98,900,784	98,900,784	-	-	-	-
Other borrowings	74,216,459	74,910,229	74,910,229	-	-	-	-
Amounts due to parent	525,485	525,485	525,485	-	-	-	-
Accruals & deferred income	3,213,029	3,386,133	2,499,582	101,150	102,795	682,606	-
<b>Total</b>	<b>333,835,141</b>	<b>335,778,060</b>	<b>333,784,445</b>	<b>333,199</b>	<b>424,899</b>	<b>1,205,832</b>	<b>29,685</b>
<b>2021</b>							
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	-
<b>Total</b>	<b>329,880,658</b>	<b>330,540,945</b>	<b>328,778,922</b>	<b>200,040</b>	<b>593,809</b>	<b>968,174</b>	<b>-</b>

The amount of USD 156,262,669 on the Bank Overdraft is repayable within 90 days (2021: USD 50,945,893).

Company	Total USD	Total Undiscounted Contractual Cashflows USD	6 months or less USD	6-12 Months USD	1-2 Years USD	2-5 Years USD	Over 5 Years USD
<b>2022</b>							
Lease Liabilities	453,720	455,810	151,937	151,937	151,936	-	-
Bank overdraft	156,262,669	156,783,076	156,783,076	-	-	-	-
Issued promissory notes to parent	98,474,041	98,900,784	98,900,784	-	-	-	-
Other borrowings	74,216,459	74,910,229	74,910,229	-	-	-	-
Amounts due to parent	525,485	525,485	525,485	-	-	-	-
Accruals & deferred income	3,160,218	3,328,852	2,442,302	101,149	102,795	682,606	-
<b>Total</b>	<b>333,092,592</b>	<b>334,904,236</b>	<b>333,713,813</b>	<b>253,086</b>	<b>254,731</b>	<b>682,606</b>	<b>-</b>
<b>2021</b>							
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	-
<b>Total</b>	<b>329,769,347</b>	<b>330,424,655</b>	<b>328,683,321</b>	<b>179,351</b>	<b>593,809</b>	<b>968,174</b>	<b>-</b>

The amount of USD 156,262,669 on the Bank Overdraft is repayable within 90 days (2021: USD 50,945,893).

## 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.

	2022							2021						
	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
Forfaiting assets held for trading														
- USD fixed rate	9.05	112,747,563	75,532,557	21,808,350	14,984,325	422,331	-	4.56	126,720,671	73,430,704	45,389,297	5,134,131	2,766,539	-
- Euro fixed rate	7.33	13,089,387	249,518	2,295,193	8,703,870	1,840,806	-	5.26	39,591,647	7,898,584	18,543,050	2,759,616	10,390,397	-
- GBP fixed rate	7.28	18,196,577	713,623	16,347,129	370,501	765,324	-	4.85	2,516,013	105,594	-	510,561	1,899,858	-
- USD floating rate	8.67	143,298,519	55,866,501	43,435,450	21,907,303	22,089,265	-	5.53	183,344,001	69,292,945	55,699,607	31,586,861	26,764,588	-
- Euro floating rate	7.13	151,435,010	85,280,197	33,018,057	20,617,887	12,518,869	-	4.09	81,014,281	39,946,720	17,682,682	10,010,909	13,373,970	-
- GBP floating rate	9.09	5,816,605	-	-	-	5,816,605	-	6.95	6,798,590	-	-	-	6,798,590	-
		444,583,661	217,642,396	116,904,179	66,583,886	43,453,200	-		439,985,203	190,674,547	137,314,636	50,002,078	61,993,942	-
Cash and cash equivalents	-	652,906	652,906	-	-	-	-	-	478,623	478,623	-	-	-	-
Lease Liabilities	5.07	(1,143,458)	(162,517)	(218,911)	(294,983)	(441,972)	(25,075)	3.29	(877,156)	(200,551)	(182,608)	(329,332)	(164,665)	-
Bank overdraft														
- USD	6.02	(36,078,543)	(36,078,543)	-	-	-	-	1.20	(14,519,559)	(14,519,559)	-	-	-	-
- EUR	3.28	(112,973,576)	(112,973,576)	-	-	-	-	1.20	(28,149,887)	(28,149,887)	-	-	-	-
- GBP	5.24	(7,210,550)	(7,210,550)	-	-	-	-	2.00	(8,276,447)	(8,276,447)	-	-	-	-
		(156,262,669)	(156,262,669)	-	-	-	-		-	-	-	-	-	-
Issued Promissory notes to parent														
- USD	5.13	(55,968,185)	(55,968,185)	-	-	-	-	1.74	(145,503,478)	(145,503,478)	-	-	-	-
- EUR	2.74	(26,203,381)	(26,203,381)	-	-	-	-	-	-	-	-	-	-	-
- GBP	4.31	(16,302,475)	(16,302,475)	-	-	-	-	1.77	(38,736,312)	(38,736,312)	-	-	-	-
		(98,474,041)	(98,474,041)	-	-	-	-		(184,239,790)	(184,239,790)	-	-	-	-
Other Borrowings	5.22	(74,216,459)	(74,216,459)	-	-	-	-	1.65	(88,452,104)	(88,452,104)	-	-	-	-
Total		115,139,940	(110,820,384)	116,685,268	66,288,903	43,011,228	(25,075)		115,948,883	(132,685,168)	137,132,028	49,672,746	61,829,277	-

## 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.

	Effective interest rate	2022						Effective interest rate	2021					
		Total	6months or less	6-12 months	1-2 years	2-5 years	Over 5 years		Total	6months or less	6-12 months	1-2 years	2-5 years	Over 5 years
		USD	USD	USD	USD	USD			USD	USD	USD	USD	USD	
Forfaiting assets held for trading														
- USD fixed rate	9.05	112,747,563	75,532,557	21,808,350	14,984,325	422,331	-	4.56	126,720,671	73,430,704	45,389,297	5,134,131	2,766,539	-
- Euro fixed rate	7.33	13,089,387	249,518	2,295,193	8,703,870	1,840,806	-	5.26	39,591,647	7,898,584	18,543,050	2,759,616	10,390,397	-
- GBP fixed rate	7.28	18,196,577	713,623	16,347,129	370,501	765,324	-	4.85	2,516,013	105,594	-	510,561	1,899,858	-
- USD floating rate	8.67	143,298,519	55,866,501	43,435,450	21,907,303	22,089,265	-	5.53	183,344,001	69,292,945	55,699,607	31,586,861	26,764,588	-
- Euro floating rate	7.13	151,435,010	85,280,197	33,018,057	20,617,887	12,518,869	-	4.09	81,014,281	39,946,720	17,682,682	10,010,909	13,373,970	-
- GBP floating rate	9.09	5,816,605	-	-	-	5,816,605	-	6.95	6,798,590	-	-	-	6,798,590	-
		444,583,661	217,642,396	116,904,179	66,583,886	43,453,200	-		439,985,203	190,674,547	137,314,636	50,002,078	61,993,942	-
Cash and cash equivalents	-	636,120	636,120	-	-	-	-	-	420,946	420,946				
Lease Liabilities	3.37	(453,720)	(151,240)	(151,240)	(151,240)	-	-	3.37	(823,327)	(164,665)	(164,665)	(329,332)	(164,665)	-
Bank overdraft														
- USD	6.02	(36,078,543)	(36,078,543)	-	-	-	-	1.20	(14,519,559)	(14,519,559)	-	-	-	-
- EUR	3.28	(112,973,576)	(112,973,576)	-	-	-	-	1.20	(28,149,887)	(28,149,887)	-	-	-	-
- GBP	5.24	(7,210,550)	(7,210,550)	-	-	-	-	2.00	(8,276,447)	(8,276,447)	-	-	-	-
		(156,262,669)	(156,262,669)	-	-	-	-		(50,945,893)	(50,945,893)	-	-	-	-
Issued Promissory notes to parent														
- USD	5.13	(55,968,185)	(55,968,185)	-	-	-	-	1.74	(145,503,478)	(145,503,478)	-	-	-	-
- EUR	2.74	(26,203,381)	(26,203,381)	-	-	-	-	-	-	-	-	-	-	-
- GBP	4.31	(16,302,475)	(16,302,475)	-	-	-	-	1.77	(38,736,312)	(38,736,312)	-	-	-	-
		(98,474,041)	(98,474,041)	-	-	-	-		(184,239,790)	(184,239,790)	-	-	-	-
Other borrowings	5.22	(74,216,459)	(74,216,459)	-	-	-	-	1.65	(88,452,104)	(88,452,104)	-	-	-	-
Total		115,176,772	(111,462,013)	116,752,939	66,432,646	43,453,200	-		115,524,089	(133,127,905)	137,149,971	49,672,746	61,829,277	-

## 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.

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

The Group is closely monitoring the economic environment in the emerging market and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In 2022, 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 2022 USD	Fair Value 2022 USD	Gross Value 2021 USD	Fair Value 2021 USD
Not past due	456,564,905	443,973,661	443,316,586	436,450,585
Past due [0-30 days]	-	-	-	-
Past due [31-120 days]	1,500,000	210,000	140,739	138,646
More than 120 days	4,000,000	400,000	5,159,789	3,395,972
<b>Total</b>	<b>462,064,905</b>	<b>444,583,661</b>	<b>448,617,114</b>	<b>439,985,203</b>

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

	Group 2022 USD	2021 USD	Company 2022 USD	2021 USD
Realised upward fair valuation	5,738,848	6,763,148	5,738,848	6,763,148
Realised downward fair valuation	(2,887,981)	(1,160,609)	(2,887,981)	(1,160,609)
Unrealised upward fair valuation	4,589,541	3,109,893	4,589,541	3,109,893
Unrealised downward fair valuation	(10,688,932)	(1,678,887)	(10,688,932)	(1,678,887)
Amounts reversed from written off assets	-	-	-	-
	<b>(3,248,524)</b>	<b>7,033,545</b>	<b>(3,248,524)</b>	<b>7,033,545</b>

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	
	2022 USD	2021 USD	2022 USD	2021 USD
As at 1 January	877,156	1,269,191	823,327	1,138,327
Additions	689,363	-	-	-
Interest expense	38,218	39,086	23,963	36,951
Payments	(461,279)	(431,121)	(393,570)	(351,952)
Balance at 31 December	1,143,458	877,156	453,720	823,326

As at 31 December 2022, the Group had 7 property leases (2021: 6 property leases). Of these 7 leases, 2 of them relate to ROU leases (2021: 2 ROU leases) and 5 of the leases (2021: 4) term is less than twelve months and therefore considered short-term leases. The expenses in FY22 relating to these short-term leases is USD 88,117 (2021: USD 100,200).

Non-cancellable leases are payable as follows:

	Group		Company	
	2022 USD	2021 USD	2022 USD	2021 USD
Less than one year	381,432	383,159	302,481	329,330
Between one and five years	736,954	493,997	151,240	493,997
More than five year	25,073	-	-	-
	1,143,459	877,156	453,721	823,327

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 2022 these totalled USD 9,146,617 (2021: USD 65,396,834) for both the Group and the Company as shown in the table below:

	Group	
	2022 USD	2021 USD
Forfaiting assets held for trading commitments	6,952,256	38,371,323
Letter of Credit confirmations	2,187,500	26,606,695
Conditional guarantees	6,861	418,816
	9,146,617	65,396,834

#### 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 25,218 (2021: 10,158) in fee and commissions received and paid USD 117,764 (2021: USD 44,973) 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 2022, the Group and Company has two money market loans with Tunis International Bank S.A for USD 5.00m and USD 10.00m maturing on 19 January 2023 and 21 March 2023 respectively.

The Company has a 90-day rolling bank overdraft facility of with its parent, FIMBank plc. As at 31 December 2022, the balance is USD 156,262,669 (2021: USD 50,945,893). As at 31 December 2022, the Company had issued promissory notes to its parent, FIMBank plc, to the value of USD 98,474,041 (2021: USD 184,239,790). 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 2022, the total payments received by the key management personnel from the Company and the Group were:

- (i) short-term employee benefits - USD 2,909,688
- (ii) post-employment benefits - USD 619,848
- (iii) other long-term benefits - nil
- (iv) termination benefits – USD nil

### 23. Parent company and parent undertaking of larger group

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

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

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

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	2022 USD	2021 USD	2020 USD	2019 USD	2018 USD
Trading income	16,587,574	24,518,744	23,713,685	29,663,165	29,961,636
Administrative expenses	(7,337,799)	(9,228,251)	(7,803,561)	(9,054,684)	(8,628,630)
Other operating income	350,000	350,000	58,333	-	746,593
Operating profit before financing costs	9,599,775	15,640,493	15,968,457	20,608,481	22,079,599
Net Financing expense	(8,062,494)	(5,666,925)	(6,957,829)	(8,096,278)	(6,828,271)
Profit before tax	1,537,281	9,973,568	9,010,628	12,512,203	15,251,328
Income tax	(803,241)	(1,885,667)	(1,637,070)	(1,766,926)	(1,405,556)
<b>Profit for the year attributable to equity holders of the parent</b>	<b>734,040</b>	<b>8,087,901</b>	<b>7,373,558</b>	<b>10,745,277</b>	<b>13,845,772</b>

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

Group	2022 USD	2021 USD	2020 USD	2019 USD	2018 USD
<b>Assets</b>					
Plant and equipment	1,294,545	1,086,084	1,507,280	1,773,322	112,474
Deferred tax assets	1,600,152	2,571,406	4,169,406	5,549,406	6,689,406
<b>Non-current assets</b>	<b>2,894,697</b>	<b>3,657,490</b>	<b>5,676,686</b>	<b>7,322,728</b>	<b>6,801,880</b>
Forfaiting assets - held for trading	444,583,661	439,985,203	452,326,547	460,238,536	347,284,967
Cash and cash equivalents	652,906	478,623	346,656	461,713	228,068
Trade and other receivables	1,536,846	858,271	1,066,277	3,981,070	2,613,725
<b>Current assets</b>	<b>446,773,413</b>	<b>441,322,097</b>	<b>453,739,480</b>	<b>464,681,319</b>	<b>350,126,760</b>
<b>Total assets</b>	<b>449,668,110</b>	<b>444,979,587</b>	<b>459,416,166</b>	<b>472,004,047</b>	<b>356,928,640</b>
<b>Equity</b>					
Issued capital	110,600,000	109,100,000	97,000,000	90,000,000	50,000,000
Retained earnings	5,232,969	5,998,929	13,111,028	12,737,470	41,992,193
<b>Total equity attributable to owners of the Company</b>	<b>115,832,969</b>	<b>115,098,929</b>	<b>110,111,028</b>	<b>102,737,470</b>	<b>91,992,193</b>
<b>Liabilities</b>					
Lease Liability	1,143,458	877,156	1,269,191	1,419,027	-
<b>Non-current liabilities</b>	<b>1,143,458</b>	<b>877,156</b>	<b>1,269,191</b>	<b>1,419,027</b>	<b>-</b>
Bank overdraft	156,262,669	50,945,893	258,686,175	248,465,407	130,287,629
Issued promissory notes to parent	98,474,041	184,239,790	-	-	-
Other Borrowings	74,216,459	88,452,104	84,526,009	112,634,855	113,202,873
Trade and other payables	3,738,514	5,365,715	4,823,763	6,747,288	21,445,945
<b>Current liabilities</b>	<b>332,691,683</b>	<b>329,003,502</b>	<b>348,035,947</b>	<b>367,847,550</b>	<b>264,936,447</b>
<b>Total liabilities</b>	<b>333,835,141</b>	<b>329,880,658</b>	<b>349,305,138</b>	<b>369,266,577</b>	<b>264,936,447</b>
<b>Total equity and liabilities</b>	<b>449,668,110</b>	<b>444,979,587</b>	<b>459,416,166</b>	<b>472,004,047</b>	<b>356,928,640</b>

## 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
Deputy Chief Executive Officer / Head of Trading	Tony Knight
Chief Financial Officer / Company Secretary	William Ramzan
Chief Operating Officer / Representative, Malta	Lorna Pillow
Head of Compliance & MLRO	Paul Bohannon
Head of Credit	Hunter Thompson
Head of UK Marketing	Paul Wright
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
Representative, Singapore	James Bragg
Senior Managers	Yonca Sarp Colin Stone Sandro Valladares
Executive Personal Assistant / Head of Human Resources	Vivian Garcia

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