# Annual Report 2023

www.forfaiting.com

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

LONDON FORFAITING COMPANY LTD

# Contents

# Background to our Business

## London Forfaiting Company

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

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

LFC's 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

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.

## 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 as 'non-banking' Financial Institutions. Consequently, LFC is required to abide by UK anti-money laundering Regulations.

# Strategic Report

## Principal activities

The principal activities of London Forfaiting Company Limited ("LFC") and its subsidiaries (collectively known as "Group") 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

2023 continued to see market uncertainty due to several factors including the ongoing war in Ukraine and the commencement of the Israel-Gaza war in October. However, LFC was able to navigate the difficulties which had limited effect in the markets where LFC is active. . The higher interest rate environment continued throughout the year resulting in a continuation of the higher returns commenced in 2022. Monitoring of the portfolio remained heightened due to the impact of the higher interest rates and interest payments on LFC's borrowers.

LFC's 2023 financial performance was adversely impacted by the non-payment of one asset held for trading. As a result, fair valuation of forfaiting assets and derivatives held for trading was negative. The obligor, a large coffee trader, has entered Chapter 11 and the level of any potential recovery is uncertain. Therefore, the fair value of this asset has been revised downwards.

LFC reported significantly higher profits after tax for 2023 of USD 8,637,444 (2022: USD 734,040), representing a 1077% increase from the previous year. Trading Income of USD 37,345,112 was 125% higher than the previous year (2022: USD 16,587,574). Furthermore, net financing expense increased significantly to USD 16,583,154 (2022: USD 8,062,494) largely due to the increase interest rates. Administration expenses also increased for the period under review by 31% from USD 7,337,799 in 2022 to USD 9,579,362 in 2023. The higher profit level has resulted in the tax charge for the year increasing to USD 2,695,152 (2022: USD 803,241).

The net effect of these factors resulted in a profit after tax of USD 8,637,444 to our shareholders in 2023. During the year, LFC distributed USD 7,000,000 as cash dividends plus USD 5,000,000 in scrip dividends.

## Trading income

LFC's Forfaiting Yield was 56% higher at USD 31,057,256 (2022: USD 19,850,691) which was because of the higher interest rates. During Q4 2023, 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 increased significantly from USD (3,248,526) in 2022 to USD 4,768,822 in 2023, which represents an increase of 247%. As mentioned above, one forfaiting asset held for trading was not paid at maturity. Consequently, in accordance with LFC's fair valuation policy, this asset was marked downwards significantly in 2023. At the reporting date, the fair valuation level of this asset is low and although LFC will be working to recover amounts, the downward fair valuation taken has been absorbed in 2023.

In addition to lower fair valuation movements of forfaiting assets held for trading and derivative financial instruments, net fees and commission increased from a USD 14,591 expense in 2022 to USD 1,519,034 income in 2023. The main drivers in the increase in net fees and commissions was the increased fees receivable from the collections business as well as lower expense from credit insurance.

As a result of the higher Forfaiting yield, higher fair valuation movements of forfaiting assets held for trading and higher net fees and commissions expense, Trading Income was 125% higher at USD 37,345,112 (2022: USD 16,587,574).

# 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. The bank overdraft decreased by 9% from USD 156,262,669 in 2022 to USD 142,476,109 in 2023 and issued promissory notes to parent of USD 69,347,147 were lower in 2023 (2022; USD 98,474,041). External borrowings were 5% higher at USD 77,818,992 (2022: USD 74,216,459). With higher interest rates, net financing costs increased 106% to USD 16,583,154 (2022: USD 8,062,494).

## Administrative expenses

LFC continually monitors its administrative expenses, which at USD 9,579,362 (2022: USD 7,337,799) were 31% higher for the year.

## 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 31,346 , as at 31 December 2023 as appropriate and reasonable. During the year, USD 1,600,152 of the deferred tax asset was consumed as a result of the continued profitability of the Company. Furthermore, a new deferred tax asset of USD 31,436 was created following amendments to IAS12.

## 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 and net financing expense and administrative expenses 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 2023, LFC had three joiners and four leavers from a total staff count of 37 (2022: nine joiners and ten leavers from a total staff count of 39).

# Strategic Report (continued)

## Key risks, uncertainties, and Outlook

The impact of higher interest rates on the global economy and financial markets continued during 2023 as a result LFC experienced a wide range of impacts and outcomes. Although interest rates appear to have peaked, 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 and LFC will continue to react and mitigate these risks to continue to produce a positive contribution to its shareholder.

Notwithstanding the continuation of 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.

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. The continued profitability and positive contribution in the current 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 three 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.

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# 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 2023 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 August 2024**

**Simon Lay**
**Chief Executive Officer**
**2 August 2024**

# Directors' report

The Directors are pleased to present their report and the audited Group and Company financial statements for the year ended 31 December 2023.

## Results and dividends

LFC's profit after tax for the year 2023 was USD 8,637,444 (2022: USD 734,040). The Directors approved the payment of a cash dividend of USD 7,000,000 plus a scrip dividend of USD 5,000,000 during the year (2022: USD 1,500,000). The scrip dividend was paid from the issue of 5,000,000 bonus shares at USD 1 per share.

## Key Performance Indicators

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

## 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 2023, (2022: nil)

## Directors

The directors who held office during the year were as follows:
Chairman/ Director – John Carmel Grech
Director – Hussain Abdul Aziz Lalani
Director – Mohamed Fekih Ahmed (resigned 4 May 2023)
Director – Majed Essa Ahmed Al-Ajeel (resigned 4 May 2023)
Director – Mohammed Louhab (appointed 4 May 2023, resigned 1 August 2024)
Director – Erich Schumacher (appointed 4 May 2023, resigned 24 April 2024)
Director – Samer Abbouchi (appointed 24 April 2024)

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, apart from the events detailed in note 23 of the financial statements, there were no subsequent events impacting the Group and Company financial statements for the year ended 31 December 2023.

## Disclosure of information to auditors

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 auditors' are 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 auditors are aware of that information.

## Independent Auditors

During 2024, the Board approved the appointment of PricewaterhouseCoopers LLP ('PwC') as the new statutory auditors for the Group and Company, effective for the financial year ending 31 December 2023.

## Approval

By order of the Board.

**John C. Grech**
**Director**
2 August 2024
15-18 Austin Friars
London, EC2N 2HE

# Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

# Independent auditors' report to the members of London Forfaiting Company Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, London Forfaiting Company Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's and Company's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company Income statements and Statements of comprehensive income, the Group and Company Statements of financial position; the Group and Company Statements of changes in equity, the Group and Company Statements of cash flows and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate manual journal entries and management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Challenging assumptions and judgements made by management in their significant accounting estimates, specifically those related to the valuation of forfaiting assets;
- Identifying and testing a sample of manual journal entries that met defined fraud risk criteria;
- Designing audit procedures to incorporate an element of unpredictability into the nature, timing and/or extent of our testing; and
- Review of board meeting minutes..

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Amena Shaista (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 August 2024

# Income statements

**For the year ended 31 December 2023**

| | Note | Group 2023 USD | Group 2022 USD | Company 2023 USD | Company 2022 USD |
|---|---|---|---|---|---|
| Trading income | 4 | **37,345,112** | 16,587,574 | **35,878,294** | 15,196,943 |
| Administrative expenses | 5 | **(9,579,362)** | (7,337,799) | **(8,523,012)** | (6,271,755) |
| Other operating income | 6 | **150,000** | 350,000 | **618,244** | 645,974 |
| **Operating profit** | | **27,915,750** | 9,599,775 | **27,973,526** | 9,571,162 |
| Finance income | 7 | **796** | 1,452 | **-** | 498 |
| Finance costs | 7 | **(16,583,950)** | (8,063,946) | **(16,543,896)** | (8,047,676) |
| **Net finance costs** | 7 | **(16,583,154)** | (8,062,494) | **(16,543,896)** | (8,047,178) |
| **Profit before tax** | | **11,332,596** | 1,537,281 | **11,429,630** | 1,523,984 |
| Income tax expense | 8 | **(2,695,152)** | (803,241) | **(2,695,152)** | (803,241) |
| **Profit for the year attributable to equity holders of the company** | | **8,637,444** | 734,040 | **8,734,478** | 720,743 |

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

The notes on pages 18 to 48 are an integral part of these financial statements.

# Statements of comprehensive income

**For the year ended 31 December 2023**

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| **Profit for the year** | **8,637,444** | 734,040 | **8,734,478** | 720,743 |
| **Other comprehensive income for the year, net of tax** | - | - | - | - |
| **Total comprehensive income for the year attributable to equity holders of the company** | **8,637,444** | 734,040 | **8,734,478** | 720,743 |

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

The notes on pages 18 to 48 are an integral part of these financial statements.

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# Statements of financial position

**As at 31 December 2023**

| | Note | Group 2023 USD | Group 2022 USD | Company 2023 USD | Company 2022 USD |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Plant and equipment | 9 | **801,439** | 1,294,545 | **277,210** | 640,644 |
| Deferred tax assets | 11 | **31,436** | 1,600,152 | **2,619** | 1,600,152 |
| **Non-current assets** | | **832,875** | 2,894,697 | **279,829** | 2,240,796 |
| Forfaiting assets – held for trading | 18 | **374,177,108** | 444,583,661 | **374,177,108** | 444,583,661 |
| Trade and other receivables | 12 | **921,215** | 1,536,846 | **833,437** | 1,409,389 |
| Cash and cash equivalents | 13 | **39,377,343** | 652,906 | **39,351,587** | 636,120 |
| **Current assets** | | **414,475,666** | 446,773,413 | **414,362,132** | 446,629,170 |
| **Total assets** | | **415,308,541** | 449,668,110 | **414,641,961** | 448,869,966 |
| **Liabilities** | | | | | |
| Lease liability | 20 | **811,308** | 1,143,458 | **173,793** | 453,720 |
| **Non-current liabilites** | | **811,308** | 1,143,458 | **173,793** | 453,720 |
| Bank overdraft | 13 | **142,476,109** | 156,262,669 | **142,476,109** | 156,262,669 |
| Issued promissory notes to parent | 14 | **69,347,147** | 98,474,041 | **69,347,147** | 98,474,041 |
| Loans and borrowings | 15 | **77,818,992** | 74,216,459 | **77,818,992** | 74,216,459 |
| Trade and other payables | 17 | **7,384,572** | 3,738,514 | **7,314,068** | 3,685,703 |
| **Current liabilities** | | **297,026,820** | 332,691,683 | **296,956,316** | 332,790,112 |
| **Total liabilities** | | **297,838,128** | 333,835,141 | **297,130,109** | 333,092,592 |
| **Equity** | | | | | |
| Share capital | 16 | **115,600,000** | 110,600,000 | **115,600,000** | 110,600,000 |
| Retained earnings | | **1,870,413** | 5,232,969 | **1,911,852** | 5,177,374 |
| Total equity attributable to owners of the Company | | **117,470,413** | 115,832,969 | **117,511,852** | 115,777,374 |
| **Total equity and liabilities** | | **415,308,541** | 449,668,110 | **414,641,961** | 448,869,966 |

The notes on pages 18 to 48 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 2 August 2024 and were signed on its behalf by:

**John C. Grech**
**Director**
London Forfaiting Company
Registered Number 1733470

LONDON FORFAITING COMPANY LTD

## Statements of changes in equity

| Group | Note | Share Capital | Retained earnings | Total equity |
|---|---|---|---|---|
| | | USD | USD | USD |
| Balance at 1 January 2022 | 16 | 109,100,000 | 5,998,929 | 115,098,929 |
| Total comprehensive income for the year | | - | 734,040 | 734,040 |
| Issuance of bonus shares | | 1,500,000 | (1,500,000) | - |
| Balance at 31 December 2022 | | 110,600,000 | 5,232,969 | 115,832,969 |
| **Balance at 1 January 2023** | 16 | **110,600,000** | **5,232,969** | **115,832,969** |
| **Total comprehensive income for the year** | | **-** | **8,637,444** | **8,637,444** |
| Issuance of bonus shares | 16 | **5,000,000** | **(5,000,000)** | **-** |
| Dividends paid | | **-** | **(7,000,000)** | **(7,000,000)** |
| **Balance at 31 December 2023** | 16 | **115,600,000** | **1,870,413** | **117,470,413** |

| Company | Note | Share Capital | Retained earnings | Total equity |
|---|---|---|---|---|
| | | USD | USD | USD |
| Balance at 1 January 2022 | 16 | 109,100,000 | 5,956,631 | 115,056,631 |
| Total comprehensive income for the year | | - | 720,743 | 720,743 |
| Issuance of bonus shares | | 1,500,000 | (1,500,000) | - |
| Balance at 31 December 2022 | | 110,600,000 | 5,177,374 | 115,777,374 |
| **Balance at 1 January 2023** | **16** | **110,600,000** | **5,177,374** | **115,777,374** |
| **Total comprehensive income for the year** | | **-** | **8,734,478** | **8,734,478** |
| Issuance of bonus shares | 16 | **5,000,000** | **(5,000,000)** | **-** |
| Dividends paid | | **-** | **(7,000,000)** | **(7,000,000)** |
| **Balance at 31 December 2023** | **16** | **115,600,000** | **1,911,852** | **117,511,852** |

The notes on pages 18 to 48 are an integral part of these financial statements.

## Statements of cash flows

**For the year ended 31 December 2023**

| | Note | Group 2023 USD | Group 2022 USD | Company 2023 USD | Company 2022 USD |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Net proceeds from purchase, sale & maturity of forfaiting assets held for trading including realised forfaiting yield | | **101,463,809** | 15,252,233 | **101,463,809** | 15,252,233 |
| Interest income received | | **796** | 1,452 | **-** | 498 |
| Interest expense paid | | **(16,528,165)** | (8,025,728) | **(16,558,439)** | (8,010,725) |
| Fees and commissions received | | **2,062,023** | 1,165,978 | **2,062,023** | 1,165,978 |
| Fees and commissions paid | | **(392,989)** | (830,569) | **(1,859,807)** | (2,221,200) |
| Realised fair value gain on forfaiting assets held for trading | | **6,628,115** | 2,850,865 | **6,628,115** | 2,850,865 |
| Payment to employees and suppliers | | **(9,048,608)** | (6,841,928) | **(8,140,987)** | (5,872,208) |
| Cash (outflow) before changes in operating assets/liabilities | | **84,184,981** | 3,572,303 | **83,594,714** | 3,165,441 |
| **(Increase) / decrease in operating assets:** | | | | | |
| Amounts due from parent | | **487,039** | (483,624) | **487,039** | (483,624) |
| Prepayments, accrued income and other debtors | | **(1,737,562)** | (6,294,767) | **(1,302,136)** | (5,907,308) |
| **Increase / (decrease) in operating liabilities:** | | | | | |
| Amounts due to parent | | **143,536** | 21,003 | **143,536** | 21,003 |
| Other liabilities | | **2,707,619** | (1,521,710) | **2,683,065** | (1,517,465) |
| Payment of lease liability | | **(406,992)** | (461,278) | **(265,384)** | (406,557) |
| Net cash generated from/ (used in) operating activities before income tax | | **1,193,640** | (8,740,376) | **1,746,120** | (8,293,951) |
| Tax paid | | **(324,672)** | 41,944 | **(295,855)** | 41,944 |
| **Net cash generated from/ (used in) operating activities** | | **85,053,949** | (5,126,129) | **85,044,979** | (5,086,566,) |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | | **(18,591)** | (14,970) | **(18,591)** | (13,642) |
| Recovery from subsidiary | | **-** | - | **-** | - |
| **Net cash used in investing activities** | | **(18,591)** | (14,970) | **(18,591)** | (13,642) |
| **Cash flows from financing activities** | | | | | |
| Net (payments to) /receipts from bank overdraft | | **(13,786,560)** | 105,316,776 | **(13,786,560)** | 105,316,776 |
| Net funds from promissory notes issued to parent | | **(29,126,894)** | (85,765,749) | **(29,126,894)** | (85,765,749) |
| Net payments of external borrowings | | **3,602,533** | (14,235,645) | **3,602,533** | (14,235,645) |
| Dividends and coupons paid to equity holders | | **(7,000,000)** | - | **(7,000,000)** | - |
| **Net cash (used in)/generated from financing activities** | | **(46,310,921)** | 5,315,382 | **(46,310,921)** | 5,315,382 |
| Net increase in cash and cash equivalents | | **38,724,437** | 174,283 | **38,715,467** | 215,174 |
| Cash and cash equivalents at 1 January | | **652,906** | 478,623 | **636,120** | 420,946 |
| **Cash and cash equivalents at 31 December** | 13 | **39,377,343** | 652,906 | **39,351,587** | 636,120 |

The notes on pages 18 to 48 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. It is incorporated in England & Wales with the registered number being 1733470. 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 2023 comprises the Company and its subsidiaries in United States of America and Brazil (together referred to as the "Group" and individually as "Group entities"). Furthermore, the Company has branches domiciled in Malta, Singapore, Germany and France. 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 stress 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 issued.

Based on this assessment, the Board is satisfied that the Group and Company has adequate resources to continue in operation for this period and it therefore continues to adopt the going concern basis in preparing the financial statements.

### (a) Statement of compliance

Both the Group and Company 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 August 2024.

### (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 Group's and Company's functional currency.

### (d) Use of estimates and judgements

In order to prepare the financial statements in accordance with UK Adopted IFRSs, management is required 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 the Group and Company.

### (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 IFRS 9, the 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 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 the income statements.

### (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 the income statements 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 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).

### (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 the income statements.

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 statements of financial position 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 statements of financial position.

### (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 2023, there are no intra-group guarantees, (2022: nil).

LONDON FORFAITING COMPANY LTD

# 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)
- Amendments to IAS 7 and IFRS 7 Supplier finance arrangements
- Amendments to IFRS 10 and 28; Sale or contribution of assets between an investor and their associates and joint ventures.
- Amendments to IAS 21; clarification to the accounting when there is a lack of exchangeability
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

## 4. Trading income

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Net gain on financial instruments held for trading: | | | | |
| Forfaiting yield | **31,057,256** | 19,850,691 | **31,057,256** | 19,850,691 |
| Fair valuation of forfaiting assets held for trading and derivative financial instruments | **4,768,822** | (3,248,526) | **4,768,822** | (3,248,526) |
| | **35,826,078** | 16,602,165 | **35,826,078** | 16,602,165 |
| Fees and commissions income | **1,912,023** | 815,978 | **1,912,023** | 815,978 |
| Fees and commissions expenses | **(392,989)** | (830,569) | **(1,859,807)** | (2,221,200) |
| | **37,345,112** | 16,587,574 | **35,878,294** | 15,196,943 |

Included within the Company's fees and commissions expense is an amount of USD 1,466,818 (2022: USD 1,390,631) payable to subsidiaries for marketing services.

# Notes to the financial statements (continued)

## 5. Administrative expenses

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Staff cost | **USD** | **USD** | **USD** | **USD** |
| Wages, salaries and allowances | **5,625,393** | 4,732,712 | **4,861,893** | 3,942,680 |
| Social security costs | **633,920** | 492,526 | **527,445** | 444,521 |
| Pension costs | **64,977** | 208,240 | **41,145** | 185,923 |
| Operating lease expenses | **226,958** | 221,755 | **221,902** | 213,952 |
| Auditors' remuneration: | | | | |
| Audit fees | **466,096** | 162,592 | **466,096** | 162,592 |
| Amount receivable by Auditors' and their associates in respect of services : | | | | |
| - review of interim information | **243,031** | 96,351 | **243,031** | 96,351 |
| - other services relating to taxation | **-** | 2,780 | **-** | 2,780 |
| Other professional fees | **379,130** | (99,309) | **368,872** | (119,461) |
| Other administrative expenses | **1,939,857** | 1,520,152 | **1,792,628** | 1,342,417 |
| | **9,579,362** | 7,337,799 | **8,523,012** | 6,271,755 |

Auditors' remuneration to PricewaterhouseCoopers LLP (PwC) in relation to the audit services amounted to USD 466,096. The auditors' renumeration also include the amount USD 139,514 paid to KPMG LLP and USD 103,517 paid to EY LLP in relation to non-audit services, as during 2023, both KPMG LLP and EY LLP ceased to be the auditors of the Group and Company, and PwC was appointed to be the auditors' of the Group and Company. There are no other permissible assurance services.

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

In the prior year management fees to parent were shown net of fees received for marketing whereas this year the fees are shown gross in other operating income.

| | Group | | Company | |
|---|---|---|---|---|
| Average number of employees at the end of the year: | **2023** | **2022** | **2023** | **2022** |
| | **Number** | **Number** | **Number** | **Number** |
| - forfaiting and loan officers | **13** | 13 | **10** | 10 |
| - other staff | **25** | 24 | **23** | 22 |
| | **38** | 37 | **33** | 32 |

As at 31 December 2023, there were 4 employees in London Forfaiting Americas Inc. (2022: 5 employees) and 1 in London Forfaiting do Brasil Ltda. (2022: 1 employee).

## 6. Other operating income

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | **USD** | **USD** | **USD** | **USD** |
| Management fee from the parent | **150,000** | 350,000 | **150,000** | 350,000 |
| Recovery of loan to subsidiary | **-** | - | **468,244** | 295,974 |
| | **150,000** | 350,000 | **618,244** | 645,974 |

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. The company has recovered USD 468,244 (2022: 295,974).

LONDON FORFAITING COMPANY LTD

# Notes to the financial statements (continued)

## 7. Net finance costs

| | Group 2023 USD | 2022 USD | Company 2023 USD | 2022 USD |
|---|---|---|---|---|
| **Interest income** | | | | |
| Receivable from parent | **-** | 487 | **-** | 487 |
| Other | **796** | 965 | **-** | 11 |
| Financial income | **796** | 1,452 | **-** | 498 |
| **Interest expense** | | | | |
| Payable to parent | **(12,002,722)** | (5,897,403) | **(12,002,722)** | (5,897,403) |
| Payable to third parties | **(3,739,472)** | (2,010,117) | **(3,739,472)** | (2,010,117) |
| Lease interest expense | **(55,785)** | (38,218) | **(14,543)** | (23,963) |
| Net exchange losses and other charges | **(785,971)** | (118,208) | **(787,159)** | (116,193) |
| Financial expenses | **(16,583,950)** | (8,063,946) | **(16,543,896)** | (8,047,676) |
| Net financing expenses | **(16,583,154)** | (8,062,494) | **(16,543,896)** | (8,047,178) |

## 8. Income tax expense

| | Group 2023 USD | 2022 USD | Company 2023 USD | 2022 USD |
|---|---|---|---|---|
| **Current tax expense** | | | | |
| Current year | **1,095,000** | 292,083 | **1,095,000** | 292,083 |
| Changes in estimates related to prior years | **-** | (154,938) | **-** | (154,938) |
| **Deferred tax expense** | | | | |
| Benefit of tax losses recognised | **1,600,152** | 666,096 | **1,600,152** | 666,096 |
| Income tax expense | **2,695,152** | 803,241 | **2,695,152** | 803,241 |

| **Reconciliation of effective tax rate** | Group 2023 USD | 2022 USD | Company 2023 USD | 2022 USD |
|---|---|---|---|---|
| Profit before tax | **11,332,596** | 1,537,281 | **11,429,630** | 1,523,984 |
| Tax using the UK Corporation tax rate of 24% (2022: 19 %) | **2,663,160** | 292,083 | **2,685,963** | 289,557 |
| Effects of: | | | | |
| Expenses/(income) disregarded for tax purposes | **122,474** | 1,416 | **91,416** | 1,045 |
| Depreciation in excess of capital allowances | **(131,682)** | 6,734 | **(126,197)** | 6,205 |
| Adjustment re prior periods | **-** | (154,938) | **-** | (154,938) |
| Utilisation of tax losses brought forward | **9,208** | (8,150) | **11,978** | (4,724) |
| Deferred tax impariment | **31,992** | 666,096 | **31,992** | 666,096 |
| Income tax expense | **2,695,152** | 803,241 | **2,695,152** | 803,241 |

The main corporation tax rate in the UK increased for 19% to 25% with effect from 1 April 2023.

Tax liability reconciliation (Group and Company)

| | 2023 USD | 2022 USD |
|---|---|---|
| Balances at 1 January | **-** | 152,133 |
| Payments to the tax authorities | **(293,236)** | (126,069) |
| Exchange differences | **-** | (26,064) |
| Charge for the year | **1,095,000** | - |
| Balances at 31 December | **801,764** | - |

LONDON FORFAITING COMPANY LTD

# Notes to the financial statements (continued)

## 9. Plant and equipment
### Group

| | Land and Buildings USD | Leasehold Improvements USD | Fixtures, fittings and equipment USD | Motor Vehicles USD | Total USD |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2022 | 1,380,169 | 407,017 | 707,449 | 67,124 | 2,561,759 |
| Additions | 689,363 | - | 14,968 | - | 704,331 |
| Disposals | (155,273) | - | - | - | (155,273) |
| Balance at 31 December 2022 | 1,914,259 | 407,017 | 722,417 | 67,124 | 3,110,817 |
| | | | | | |
| Balance at 1 January 2023 | **1,914,259** | **407,017** | **722,417** | **67,124** | **3,110,817** |
| Additions/ ROU recognition | **-** | **-** | **18,591** | **-** | **18,591** |
| Disposals / ROU derecognition | **-** | **-** | **(29,537)** | **-** | **(29,537)** |
| Balance at 31 December 2023 | **1,914,259** | **407,017** | **711,471** | **67,124** | **3,099,871** |
| | | | | | |
| **Depreciation** | | | | | |
| 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 | 858,376 | 257,834 | 632,938 | 67,124 | 1,816,272 |
| | | | | | |
| Balance at 1 January 2023 | **858,376** | **257,834** | **632,938** | **67,124** | **1,816,272** |
| Depreciation charge for the year | **370,318** | **81,403** | **59,976** | **-** | **511,697** |
| Disposals | **-** | **-** | **(29,537)** | **-** | **(29,537)** |
| Balance at 31 December 2023 | **1,228,694** | **339,237** | **663,377** | **67,124** | **2,298,432** |
| | | | | | |
| **Carrying amounts** | | | | | |
| At 1 January 2022 | 705,036 | 230,586 | 150,462 | - | 1,086,084 |
| At 31 December 2022 | 1,055,883 | 149,183 | 89,479 | - | 1,294,545 |
| | | | | | |
| At 1 January 2023 | **1,055,883** | **149,183** | **89,479** | **-** | **1,294,545** |
| At 31 December 2023 | **685,565** | **67,780** | **48,094** | **-** | **801,439** |

At 31 December 2023, 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.

LONDON FORFAITING COMPANY LTD

# Notes to the financial statements (continued)

## 9. Plant and equipment (continued)

### Company

| | Land and Buildings USD | Leasehold Improvements USD | Fixtures, fittings and equipment USD | Motor Vehicles USD | Total USD |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2022 | 1,224,896 | 407,017 | 595,897 | 69,604 | 2,297,414 |
| Additions | - | - | 13,640 | - | 13,640 |
| Disposals | - | - | - | - | - |
| Balance at 31 December 2022 | 1,224,896 | 407,017 | 609,537 | 69,604 | 2,311,054 |
| Balance at 1 January 2023 | **1,224,896** | **407,017** | **609,537** | **69,604** | **2,311,054** |
| Additions | **-** | **-** | **18,591** | **-** | **18,591** |
| Disposals | **-** | **-** | **(29,537)** | **-** | **(29,537)** |
| Balance at 31 December 2023 | **1,224,896** | **407,017** | **598,591** | **69,604** | **2,300,108** |
| **Depreciation** | | | | | |
| Balance at 1 January 2022 | 571,618 | 176,431 | 453,212 | 69,604 | 1,270,865 |
| Depreciation charge for the year | 244,979 | 81,403 | 73,163 | - | 399,545 |
| Disposals | - | - | - | - | - |
| Balance at 31 December 2022 | 816,597 | 257,834 | 526,375 | 69,604 | 1,670,410 |
| Balance at 1 January 2023 | **816,597** | **257,834** | **526,375** | **69,604** | **1,670,410** |
| Depreciation charge for the year | **244,979** | **81,403** | **55,643** | **-** | **382,025** |
| Disposals | **-** | **-** | **(29,537)** | **-** | **(29,537)** |
| Balance at 31 December 2023 | **1,061,576** | **339,237** | **552,481** | **69,604** | **2,022,898** |
| **Carrying amounts** | | | | | |
| At 1 January 2022 | 653,278 | 230,586 | 142,685 | - | 1,026,549 |
| At 31 December 2022 | 408,299 | 149,183 | 83,162 | - | 640,644 |
| At 1 January 2023 | **408,299** | **149,183** | **83,162** | **-** | **640,644** |
| At 31 December 2023 | **163,320** | **67,780** | **46,110** | **-** | **277,210** |

At 31 December 2023, Land and Buildings includes the right-of-use assets of USD 163,320. 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

| | 2023 USD | 2022 USD |
|---|---|---|
| **Cost** | | |
| Balances at 1 January | **47,710,291** | 47,710,291 |
| Balances at 31 December | **47,710,291** | 47,710,291 |
| | | |
| **Impairment** | | |
| Balances at 1 January | **47,710,291** | 47,710,291 |
| Impairment | **-** | - |
| Balances at 31 December | **47,710,291** | 47,710,291 |
| | | |
| Net investment | **-** | - |

The Group and Company have the following investments in subsidiaries:

| | Nature of business | Country of incorporation | Issued ordinary share capital | Ownership interest 2023 | Ownership interest 2022 |
|---|---|---|---|---|---|
| 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 2023 USD | Group 2022 USD | Company 2023 USD | Company 2022 USD |
|---|---|---|---|---|
| Tax value of loss carry-forwards | | | | |
| Recognised | **31,436** | 1,600,152 | **2,619** | 1,600,152 |

| | Group 2023 USD | Group 2022 USD | Company 2023 USD | Company 2022 USD |
|---|---|---|---|---|
| Deferred tax asset brought forward | **1,600,152** | 2,571,406 | **1,600,152** | 2,571,406 |
| Recognised | **31,436** | - | **2,619** | - |
| Utilised | **(1,600,152)** | (971,254) | **(1,600,152)** | (971,254) |
| Balance at 31 December | **31,436** | 1,600,152 | **2,619** | 1,600,152 |

Recognition of the above deferred tax assets is based on IAS12 Amendments.
Historic recognition of the above deferred tax assets is based on management's five-year profit forecasts (2022: 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. As at 31 December 2023, all deferred tax asset has been utilised.

# 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. There were no unrecognised deferred tax assets in 2023 (2022: USD nil).

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 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Amounts due from parent | - | 487,039 | - | 487,039 |
| Pre-payments and accrued income | 584,465 | 720,737 | 499,955 | 605,524 |
| Other debtors | 336,750 | 329,070 | 333,482 | 316,826 |
| | 921,215 | 1,536,846 | 833,437 | 1,409,389 |

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 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Cash at banks | 39,364,238 | 638,101 | 39,338,482 | 621,315 |
| Cash in hand | 13,105 | 14,805 | 13,105 | 14,805 |
| Cash at banks and in hand | 39,377,343 | 652,906 | 39,351,587 | 636,120 |

All balances have a remaining period to maturity of less than three months. Cash at banks include the amount of USD 38,452,380 with FIMBank plc. for both Group and Company.

### Bank overdraft (Group and Company)

The overdraft facility, from the parent company, is the equivalent of USD 220 million (2022: USD 180 million). This facility is made available in USD, GBP, EUR, JPY and AED and is unsecured. The amount of USD 142,476,109 was drawn on the facility on the 31 December 2023 (2022: USD 156,262,669).

## 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 | |
|---|---|---|
| | 2023 | 2022 |
| | USD | USD |
| As at 1 January | 98,474,041 | 184,239,790 |
| Issued | 178,925,429 | 300,693,183 |
| Repaid | (208,052,323) | (386,458,932) |
| Balance at 31 December | 69,347,147 | 98,474,041 |

# Notes to the financial statements (continued)

## 15. Other borrowings
## Group and Company

| | 2023 USD | 2022 USD |
|---|---|---|
| Issued promissory notes | **27,543,864** | 15,451,068 |
| Money market loans | **50,275,128** | 58,765,391 |
| Other borrowings | **77,818,992** | 74,216,459 |

The money market loans include USD 10,063,722 with Tunis International Bank S.A. Tunisia.

## 16. Share capital

| | 2023 USD | 2022 USD |
|---|---|---|
| In issue at 31 December – fully paid | **115,600,000** | 110,600,000 |

At 31 December 2023, the paid share capital comprised of 115,600,000 (2022: 110,600,000) ordinary shares of USD 1 each. During the year, the Company paid its sole shareholder a scrip dividend of USD 5,000,000 (2022: 1,500,000) through the issue of 5,000,000 bonus shares at USD 1 per share. The Company also paid a cash dividend of USD 7,000,000 (2022: nil).

## 17. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Amounts due to parent | **669,021** | 525,485 | **669,021** | 525,485 |
| Accruals and deferred income | **6,715,551** | 3,206,168 | **6,645,047** | 3,153,357 |
| Cash collateral | **-** | 6,861 | **-** | 6,861 |
| | **7,384,572** | 3,738,514 | **7,314,068** | 3,685,703 |

Included in accruals and deferred income is USD 0.8m (2022: 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 2023, the continued involvement is expected to be 10 years due to the tenure of the trade. The amount represents management's best estimate of the future payables.

Other amounts included in accruals and deferred income include overhead accruals of USD 3.1m (2022: USD 1.6m) with the most significant amounts being for staff costs and professional fees. Furthermore, there is a tax liability of USD 1.7m (2022: USD 270,782) 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 96,895 (2022: USD 94,720) 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 2023 plus an adequate credit margin spread to discount forfaiting assets held for trading. The discount rates used are as follows:

| | 2023 | 2022 |
|---|---|---|
| Forfaiting assets held for trading | **5.20%-14.47%** | 5.13% - 12.86% |

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

| | 2023 USD | 2022 USD |
|---|---|---|
| Balance at 1 January | **444,583,661** | 439,985,203 |
| Purchases | **772,551,650** | 812,766,912 |
| Settlements | **(849,698,996)** | (798,188,750) |
| Fair valuation adjustments | **(2,730,234)** | (6,099,393) |
| Movement in accrued interest | **(574,106)** | 809,867 |
| Exchange differences | **7,395,133** | (11,288,887) |
| Overdue now settled | **-** | (3,664,034) |
| Matured but not settled during the year | **2,650,000** | 11,800,000 |
| Assets written off | **-** | (1,537,257) |
| Balance at 31 December | **374,177,108** | 444,583,661 |

## 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 |
|---|---|---|---|---|---|
| 2023 | USD | USD | USD | USD | USD |
| Assets | | | | | |
| Cash and cash equivalents | 39,377,343 | - | - | 39,377,343 | 39,377,343 |
| Liabilities | | | | | |
| Lease Liability | - | 811,308 | - | 811,308 | 811,308 |
| Bank overdraft | - | 142,476,109 | - | 142,476,109 | 142,476,109 |
| Issued promissory notes to parent | - | 69,347,147 | - | 69,347,147 | 69,347,147 |
| Other borrowings | - | 77,818,992 | - | 77,818,992 | 77,818,992 |
| Trade and other payables | - | 6,582,808 | - | 6,582,808 | 6,582,808 |
| 2022 | USD | USD | USD | USD | USD |
| Assets | | | | | |
| Cash and cash equivalents | - | 652,906 | - | 652,906 | 652,906 |
| Liabilities | | | | | |
| 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 |

| Company | Level 1 | Level 2 | Level 3 | Total fair values | Total carrying amount |
|---|---|---|---|---|---|
| 2023 | USD | USD | USD | USD | USD |
| Assets | | | | | |
| Cash and cash equivalents | 39,351,587 | - | - | 39,351,587 | 39,351,587 |
| Liabilities | | | | | |
| Lease Liability | - | 173,793 | - | 173,793 | 173,793 |
| Bank overdraft | - | 104,023,729 | - | 104,023,729 | 104,023,729 |
| Issued promissory notes to parent | - | 69,347,147 | - | 69,347,147 | 69,347,147 |
| Other borrowings | - | 77,818,992 | - | 77,818,992 | 77,818,992 |
| Trade and other payables | - | 6,512,304 | - | 6,512,304 | 6,512,304 |
| 2022 | USD | USD | USD | USD | USD |
| Assets | | | | | |
| Cash and cash equivalents | - | 636,120 | - | 636,120 | 636,120 |
| Liabilities | | | | | |
| 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 |

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.

# 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** | **2023 USD** | **2022 USD** |
|---|---|---|
| Americas | **41,662,127** | 70,264,453 |
| Asia | **47,345,342** | 66,553,616 |
| Central and Eastern Europe | **6,719,597** | 5,358,040 |
| Middle East & North Africa | **33,210,263** | 10,613,428 |
| Rest of Europe | **100,933,682** | 144,470,835 |
| Sub-Saharan Africa | **144,306,098** | 147,323,289 |
| | **374,177,109** | 444,583,661 |

| **Counterparty type** | **2023 USD** | **2022 USD** |
|---|---|---|
| Banks | **221,397,154** | 235,636,762 |
| Corporates | **84,125,767** | 141,137,407 |
| Sovereign | **68,654,187** | 67,809,492 |
| | **374,177,108** | 444,583,661 |

LONDON FORFAITING COMPANY LTD

# Notes to the financial statements (continued)

## 19. Financial instruments (continued)

### Market risk – Currency risk

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

| **Group** | | | **2023** | | | | | **2022** | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Assets | **USD** | **Euro** | **Sterling** | **Other** | **Total** | **USD** | **Euro** | **Sterling** | **Other** | **Total** |
| | | **USD** | **USD** | **USD** | **USD** | | **USD** | **USD** | **USD** | **USD** |
| - Forfaiting assets held for trading | **200,298,343** | **171,679,279** | **2,199,486** | **-** | **374,177,108** | 256,046,081 | 164,524,398 | 24,013,182 | - | 444,583,661 |
| - Trade and other receivables | **656,207** | **6,321** | **252,238** | **6,449** | **921,215** | 1,280,797 | 6,101 | 234,316 | 15,632 | 1,536,846 |
| - Cash and cash equivalents | **38,666,833** | **125,464** | **577,047** | **7,999** | **39,377,343** | 232,784 | 122,456 | 287,354 | 10,312 | 652,906 |
| Total Assets | **239,621,383** | **171,811,064** | **3,028,771** | **14,448** | **414,475,666** | 257,559,662 | 164,652,955 | 24,534,852 | 25,944 | 446,773,413 |
| Liabilities | | | | | | | | | | |
| - Lease Liabilities | **637,515** | **-** | **173,793** | **-** | **811,308** | 689,738 | - | 453,720 | - | 1,143,458 |
| - Bank overdraft | **44,498,052** | **96,283,155** | **1,694,902** | **-** | **142,476,109** | 36,078,543 | 112,973,576 | 7,210,550 | - | 156,262,669 |
| - Issued promissory notes to parent | **22,981,178** | **46,365,969** | **-** | **-** | **69,347,147** | 55,968,185 | 26,203,381 | 16,302,475 | - | 98,474,041 |
| - Other borrowings | **50,275,128** | **27,543,864** | **-** | **-** | **77,818,992** | 50,199,371 | 24,017,088 | - | - | 74,216,459 |
| - Trade and other payables | **5,481,604** | **26,180** | **1,876,788** | **-** | **7,384,572** | 2,955,195 | 133,615 | 641,297 | 8,407 | 3,738,514 |
| Total liabilities | **123,873,477** | **170,219,168** | **3,745,483** | **-** | **297,838,128** | 145,891,032 | 163,327,660 | 24,608,042 | 8,407 | 333,835,141 |

| **Company** | | | **2023** | | | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **USD** | **Euro** | **Sterling** | **Other** | **Total** | USD | Euro | Sterling | Other | Total |
| Assets | | **USD** | **USD** | **USD** | **USD** | | USD | USD | USD | USD |
| - Forfaiting assets held for trading | **200,298,343** | **171,679,279** | **2,199,486** | **-** | **374,177,108** | 256,046,081 | 164,524,398 | 24,013,182 | - | 444,583,661 |
| - Trade and other receivables | **574,878** | **6,321** | **252,238** | **-** | **833,437** | 1,168,972 | 6,101 | 234,316 | - | 1,409,389 |
| - Cash and cash equivalents | **38,649,076** | **125,464** | **577,047** | **-** | **39,351,587** | 226,309 | 122,456 | 287,355 | - | 636,120 |
| Total Assets | **239,522,297** | **171,811,064** | **3,028,771** | **-** | **414,362,132** | 257,441,362 | 164,652,955 | 24,534,853 | - | 446,629,170 |
| Liabilities | | | | | | | | | | |
| - Lease Liabilities | **-** | **-** | **173,793** | **-** | **173,793** | - | - | 453,720 | - | 453,720 |
| - Bank overdraft | **44,498,052** | **96,283,155** | **1,694,902** | **-** | **142,476,109** | 36,078,543 | 112,973,576 | 7,210,550 | - | 156,262,669 |
| - Issued promissory notes to parent | **22,981,178** | **46,365,969** | **-** | **-** | **69,347,147** | 55,968,185 | 26,203,381 | 16,302,475 | - | 98,474,041 |
| - Other borrowings | **50,275,128** | **27,543,864** | **-** | **-** | **77,818,992** | 50,199,371 | 24,017,088 | - | - | 74,216,459 |
| - Trade and other payables | **5,411,100** | **26,180** | **1,876,788** | **-** | **7,314,068** | 2,910,791 | 133,615 | 641,297 | - | 3,685,703 |
| Total liabilities | **123,165,458** | **170,219,168** | **3,745,483** | **-** | **297,130,109** | 145,156,890 | 163,327,660 | 24,608,042 | - | 333,092,592 |

# 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 2023 would have impacted equity and the profit by USD 80,876 profit (2022: USD 115,422 loss). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis as for 2022. 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 2023 was a profit of USD 145,513 profit (2022: USD 26,929 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. 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 2023 would reduce the Group and Company's profit before tax by approximately USD 495,806 (2022: USD 222,450).

### 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 220 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 |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| Lease Liabilities | **811,308** | **884,173** | **246,178** | **85,084** | **172,247** | **380,664** | **-** |
| Bank overdraft | **142,476,110** | **143,085,337** | **143,085,337** | **-** | **-** | **-** | **-** |
| Issued promissory notes to parent | **69,347,147** | **69,695,421** | **69,695,421** | **-** | **-** | **-** | **-** |
| Other borrowings | **77,818,992** | **78,713,200** | **78,713,200** | **-** | **-** | **-** | **-** |
| Amounts due to parent | **669,021** | **669,021** | **669,021** | **-** | **-** | **-** | **-** |
| Accruals & deferred income | **6,715,551** | **6,804,638** | **5,725,326** | **229,904** | **801,150** | **48,258** | **-** |
| Total | **297,838,129** | **299,851,790** | **298,134,483** | **314,988** | **973,397** | **428,922** | **-** |
| **2022** | | | | | | | |
| 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 | - |
| Total | 333,835,141 | 335,778,060 | 333,784,445 | 333,199 | 424,899 | 1,205,832 | 29,685 |

The amount of USD 104,023,729 on the Bank Overdraft is repayable within 90 days (2022: USD 156,262,669).

| 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 |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| Lease Liabilities | **173,793** | **161,094** | **161,094** | **-** | **-** | **-** | **-** |
| Bank overdraft | **142,476,110** | **143,085,337** | **143,085,337** | **-** | **-** | **-** | **-** |
| Issued promissory notes to parent | **69,347,147** | **69,695,421** | **69,695,421** | **-** | **-** | **-** | **-** |
| Other borrowings | **77,818,992** | **78,713,200** | **78,713,200** | **-** | **-** | **-** | **-** |
| Amounts due to parent | **669,021** | **669,021** | **669,021** | **-** | **-** | **-** | **-** |
| Accruals & deferred income | **6,642,428** | **6,750,502** | **5,562,725** | **338,369** | **801,150** | **48,258** | **-** |
| Total | **297,127,491** | **299,074,575** | **297,886,798** | **338,369** | **801,150** | **48,258** | **-** |
| **2022** | | | | | | | |
| 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 | - |
| Total | 333,092,592 | 334,904,236 | 333,713,813 | 253,086 | 254,731 | 682,606 | - |

The amount of USD 104,023,729 on the Bank Overdraft is repayable within 90 days (2022: USD 156,262,669).

# 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.

| | 2023 | | | | | | | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Forfaiting assets held for trading | Effective interest rate | Total | 6 months or less | 6-12 months | 1-2 years | 2-5 years | Over 5 years | Effective interest rate | Total | 6 months or less | 6-12 months | 1-2 years | 2-5 years | Over 5 years |
| | | USD | USD | USD | USD | USD | USD | | USD | USD | USD | USD | USD | USD |
| - USD fixed rate | 9.72 | 55,312,138 | 32,386,996 | 14,287,759 | 4,802,978 | 3,834,405 | - | 9.05 | 112,747,563 | 75,532,557 | 21,808,350 | 14,984,325 | 422,331 | - |
| - Euro fixed rate | 9.35 | 8,009,117 | 3,867,917 | 1,588,707 | 1,210,634 | 1,341,859 | - | 7.33 | 13,089,387 | 249,518 | 2,295,193 | 8,703,870 | 1,840,806 | - |
| - GBP fixed rate | 7.82 | 774,362 | 229,020 | - | 258,100 | 287,242 | - | 7.28 | 18,196,577 | 713,623 | 16,347,129 | 370,501 | 765,324 | - |
| - USD floating rate | 8.86 | 144,986,205 | 72,001,999 | 24,316,462 | 5,030,150 | 43,637,594 | - | 8.67 | 143,298,519 | 55,866,501 | 43,435,450 | 21,907,303 | 22,089,265 | - |
| - Euro floating rate | 7.85 | 163,670,161 | 39,277,084 | 51,676,835 | 33,109,232 | 39,607,010 | - | 7.13 | 151,435,010 | 85,280,197 | 33,018,057 | 20,617,887 | 12,518,869 | - |
| - GBP floating rate | 9.64 | 1,425,125 | - | - | 1,425,125 | - | - | 9.09 | 5,816,605 | - | - | - | 5,816,605 | - |
| | | 374,177,108 | 147,763,016 | 91,869,763 | 45,836,219 | 88,708,110 | - | | 444,583,661 | 217,642,396 | 116,904,179 | 66,583,886 | 43,453,200 | - |
| Cash and cash equivalents | - | 39,377,343 | 39,377,343 | - | - | - | - | - | 652,906 | 652,906 | - | - | - | - |
| Lease Liabilities | 5.58 | (811,308) | (161,913) | (161,913) | (151,865) | (335,617) | - | 5.07 | (1,143,458) | (162,517) | (218,911) | (294,983) | (441,972) | (25,075) |
| Bank overdraft | | | | | | | | | | | | | | |
| - USD | 4.33 | (44,498,052) | (44,498,052) | - | - | - | - | 6.02 | (36,078,543) | (36,078,543) | - | - | - | - |
| - EUR | 5.48 | (96,283,155) | (96,283,155) | - | - | - | - | 3.28 | (112,973,576) | (112,973,576) | - | - | - | - |
| - GBP | 7.01 | (1,694,902) | (1,694,902) | - | - | - | - | 5.24 | (7,210,550) | (7,210,550) | - | - | - | - |
| | | (142,476,109) | (142,476,109) | - | - | - | - | | (156,262,669) | (156,262,669) | - | - | - | - |
| Issued Promissory notes to parent | | | | | | | | | | | | | | |
| - USD | 6.99 | (22,981,179) | (22,981,179) | - | - | - | - | 5.13 | (55,968,185) | (55,968,185) | - | - | - | - |
| - EUR | 5.63 | (46,365,968) | (46,365,968) | - | - | - | - | 2.74 | (26,203,381) | (26,203,381) | - | - | - | - |
| - GBP | - | - | - | - | - | - | - | 4.31 | (16,302,475) | (16,302,475) | - | - | - | - |
| | | (69,347,147) | (69,347,147) | - | - | - | - | | (98,474,041) | (98,474,041) | - | - | - | - |
| Other Borrowings | 6.58 | (77,818,992) | (77,818,992) | - | - | - | - | 5.22 | (74,216,459) | (74,216,459) | - | - | - | - |
| Total | | 123,100,895 | (102,663,802) | 91,707,850 | 45,684,354 | 88,372,493 | - | | 115,829,678 | (110,809,107) | 116,685,268 | 66,288,903 | 43,011,228 | (25,075) |

# 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.

| | 2023 | | | | | | | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate | Total | 6months or less | 6-12 months | 1-2 years | 2-5 years | Over 5 years | Effective interest rate | Total | 6months or less | 6-12 months | 1-2 years | 2-5 years | Over 5 years |
| Forfaiting assets held for trading | | USD | USD | USD | USD | USD | USD | | USD | USD | USD | USD | USD | USD |
| - USD fixed rate | 9.72 | 55,312,138 | 32,386,996 | 14,287,759 | 4,802,978 | 3,834,405 | - | 9.05 | 112,747,563 | 75,532,557 | 21,808,350 | 14,984,325 | 422,331 | - |
| - Euro fixed rate | 9.35 | 8,009,117 | 3,867,917 | 1,588,707 | 1,210,634 | 1,341,859 | - | 7.33 | 13,089,387 | 249,518 | 2,295,193 | 8,703,870 | 1,840,806 | - |
| - GBP fixed rate | 7.82 | 774,362 | 229,020 | - | 258,100 | 287,242 | - | 7.28 | 18,196,577 | 713,623 | 16,347,129 | 370,501 | 765,324 | - |
| - USD floating rate | 8.86 | 144,986,205 | 72,001,999 | 24,316,462 | 5,030,150 | 43,637,594 | - | 8.67 | 143,298,519 | 55,866,501 | 43,435,450 | 21,907,303 | 22,089,265 | - |
| - Euro floating rate | 7.85 | 163,670,161 | 39,277,084 | 51,676,835 | 33,109,232 | 39,607,010 | - | 7.13 | 151,435,010 | 85,280,197 | 33,018,057 | 20,617,887 | 12,518,869 | - |
| - GBP floating rate | 9.64 | 1,425,125 | - | - | 1,425,125 | - | - | 9.09 | 5,816,605 | - | - | - | 5,816,605 | - |
| | | 374,177,108 | 147,763,016 | 91,869,763 | 45,836,219 | 88,708,110 | - | | 444,583,661 | 217,642,396 | 116,904,179 | 66,583,886 | 43,453,200 | - |
| Cash and cash equivalents | - | 39,351,587 | 39,351,587 | - | - | - | - | - | 652,906 | 652,906 | | | | |
| Lease Liabilities | 5.58 | (173,793) | (86,896) | (86,897) | - | - | - | 3.37 | (453,720) | (151,240) | (151,240) | (151,240) | - | - |
| Bank overdraft | | | | | | | | | | | | | | |
| - USD | 4.33 | (44,498,052) | (44,498,052) | - | - | - | - | 6.02 | (36,078,543) | (36,078,543) | - | - | - | - |
| - EUR | 5.48 | (96,283,155) | (96,283,155) | - | - | - | - | 3.28 | (112,973,576) | (112,973,576) | - | - | - | - |
| - GBP | 7.01 | (1,694,902) | (1,694,902) | - | - | - | - | 5.24 | (7,210,550) | (7,210,550) | - | - | - | - |
| | | (142,476,109) | (142,476,109) | - | - | - | - | | (156,262,669) | (156,262,669) | - | - | - | - |
| Issued Promissory notes to parent | | | | | | | | | | | | | | |
| - USD | 6.99 | (22,981,179) | (22,981,179) | - | - | - | - | 5.13 | (55,968,185) | (55,968,185) | - | - | - | - |
| - EUR | 5.63 | (46,365,968) | (46,365,968) | - | - | - | - | 2.74 | (26,203,381) | (26,203,381) | - | - | - | - |
| - GBP | - | - | - | - | - | - | - | 4.31 | (16,302,475) | (16,302,475) | - | - | - | - |
| | | (69,347,147) | (69,347,147) | - | - | - | - | | (98,474,041) | (98,474,041) | - | - | - | - |
| Other borrowings | 6.58 | (77,818,992) | (77,818,992) | - | - | - | - | 5.22 | (74,216,459) | (74,216,459) | - | - | - | - |
| Total | | 123,712,654 | (102,614,541) | 91,782,866 | 45,836,219 | 88,708,110 | - | | 115,176,772 | (111,462,013) | 116,752,939 | 66,432,646 | 43,453,200 | - |

# 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry, country and region in which customers operate. Details of credit risk concentration of the forfaiting portfolio are included in page 39.

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

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

The Group is closely monitoring the economic environment in the emerging market and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility.

Whilst the Company's maximum exposure to credit risk is the carrying value of the fair value of its assets, 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 2023 USD | Fair Value 2023 USD | Gross Value 2022 USD | Fair Value 2022 USD |
|---|---|---|---|---|
| Not past due | **377,191,446** | **373,637,108** | 456,564,905 | 443,973,661 |
| Past due [0-30 days] | **2,650,000** | **-** | - | - |
| Past due [31-120 days] | **-** | **-** | 1,500,000 | 210,000 |
| More than 120 days | **11,800,000** | **540,000** | 4,000,000 | 400,000 |
| **Total** | **391,641,446** | **374,177,108** | 462,064,905 | 444,583,661 |

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

| | Group 2023 USD | Group 2022 USD | Company 2023 USD | Company 2022 USD |
|---|---|---|---|---|
| Realised upward fair valuation | **834,514** | 5,738,848 | **834,514** | 5,738,848 |
| Realised downward fair valuation | **(1,882,338)** | (2,887,981) | **(1,882,338)** | (2,887,981) |
| Unrealised upward fair valuation | **2,294,950** | 4,589,541 | **2,294,950** | 4,589,541 |
| Unrealised downward fair valuation | **(5,659,776)** | (10,688,932) | **(5,659,776)** | (10,688,932) |
| Amounts reversed from written off assets | **-** | - | **-** | - |
| | **(4,412,650)** | (3,248,524) | **(4,412,650)** | (3,248,524) |

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 Combating the Financing 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 are comply with the UK anti-money laundering regime requirements as set out in the Proceeds of Crime Act 2002 (as amended by the Serious Organised Crime and Police Act 2005 (SOCPA)), the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001and the Terrorism Act 2006. , Updates are 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.

LONDON FORFAITING COMPANY LTD

# Notes to the financial statements (continued)

## 20. Lease Liabilities

### Leases as lessee

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| As at 1 January | **1,143,458** | 877,156 | **453,720** | 823,327 |
| Additions | **-** | 689,363 | **-** | - |
| Interest expense | **55,785** | 38,218 | **14,543** | 23,963 |
| Payments | **(387,935)** | (461,279) | **(294,470)** | (393,570) |
| Balance at 31 December | **811,308** | 1,143,458 | **173,703** | 453,720 |

As at 31 December 2023, the Group had 6 property leases (2022: 7 property leases). Of these 6 leases, 2 of them relate to ROU leases (2022: 2 ROU leases) and 4 of the leases (2022: 5) term is less than twelve months and therefore considered short-term leases. The expenses in FY23 relating to these short-term leases is USD 79,111 (2022: USD 88,117). The Group and Company has fixed payment leases and there are no variable lease payments. The Group and Company does not have any extension option on short term leases.

Non-cancellable leases are payable as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Less than one year | **323,826** | 381,432 | **173,793** | 302,480 |
| Between one and five years | **487,482** | 736,953 | **-** | 151,240 |
| More than five year | **-** | 25,073 | **-** | - |
| | **811,308** | 1,143,458 | **173,793** | 453,720 |

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 2023 these totalled USD 47,243,510 (2022: USD 9,146,617) for both the Group and the Company as shown in the table below:

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | USD | USD |
| Forfaiting assets held for trading commitments | **47,243,510** | 6,952,256 |
| Letter of Credit confirmations | **-** | 2,187,500 |
| Conditional guarantees | **-** | 6,861 |
| | **47,243,510** | 9,146,617 |

### Financial Guarantees

Financial guarantees are recognised under IFRS 9 and are held at fair value in the statements of financial position. 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 statements of financial position.

# Notes to the financial statements (continued)

## 22. Related parties
### Identity of related parties and related party balances

| | Related party | Group and Company As at 31 December 2023 USD | 2022 USD |
|---|---|---|---|
| Forfaiting assets – held for trading | United Gulf Holding Company Bsc | **11,069,674** | - |
| | Jordan Kuwait Bank | **296,321** | - |
| Trade and other receivables | FIMBank plc | **-** | 487,039 |
| Cash and cash equivalents | FIMBank plc | **38,452,380** | - |
| Bank overdraft | FIMBank plc | **142,476,109** | 156,262,669 |
| Issued promissory notes to parent | FIMBank plc | **69,347,147** | 98,474,041 |
| Loans and borrowings | Tunis International Bank SA | **10,063,722** | 15,130,319 |
| Trade and other payables | FIMBank plc | **669,021** | 525,485 |

As at 31 December FIMBank provided conditional guarantees of USD 10,968,908 (2022: USD 13,819,869). Forfaiting assets held for trading with related parties during the year totalled USD 21,321,315 in 2023, (USD 7,566,639). Loans and borrowings with related parties during the year totalled USD 60,000,000 in 2023 (2022: USD 71,599,400).

### Directors' remuneration
The total amounts for Directors' remuneration were as follows:

| | Group 2023 USD | Group 2022 USD | Company 2023 USD | Company 2022 USD |
|---|---|---|---|---|
| Directors' Remuneration | **50,000** | 40,000 | **50,000** | 40,000 |
| Company contributions to money purchase pension plans | **-** | - | **-** | - |
| | **50,000** | 40,000 | **50,000** | 40,000 |

The aggregate of emoluments and amounts receivable for the highest paid Director is USD 20,000 (2022: 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.

### Key management personnel
Key management personnel are those people having authority and responsibility for planning, directing, and controlling the activities of an entity, either directly or indirectly. The total payments received by key management personnel from the Group and the Company were:

| | 2023 USD | 2022 USD |
|---|---|---|
| Short-term employee benefits* | **1,412,655** | 1,272,819 |
| Post-employment benefits* | **237,236** | 282,370 |
| Other long-term benefits | **-** | - |
| Termination benefits | **-** | - |
| | **1,649,891** | 1,555,189 |

Other than consideration paid for the provision of services under contracts of employment or in their capacity as directors of the Company, the Company did not have other related party transactions with key management.
*This disclosure has been restated for 2022 to reflect only the appropriate key management personnel payments.

# Notes to the financial statements (continued)

## 23. Subsequent events

On 27 May 2024, the Group and Company repaid USD 40m of capital to its sole shareholder, FIMBank plc. through reduction of share capital.

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

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

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

FIMBank plc prepares the financial statements of the Group of which London Forfaiting Company Limited and its subsidiaries form part of. 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

**Ultimate controlling party**

The ultimate controlling party of LFC 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.