LONDON FORFAITING

Annual Report 2014

www.forfaiting.com

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

LONDON FORFAITING

Contents

Background to our Business

London Forfaiting Company

LFC was established in 1984 and we specialise in the provision of forfaiting and other trade related finance products. Our product range has been broadened and continues to evolve but these products remain the backbone of what we do today.

LFC's success is built upon our close working relationships with clients understanding their trade financing requirements and our proven reputation for providing fast, efficient, tailor-made solutions focusing primarily on emerging market counterparty and country risks.

We endeavour to provide excellence in whatever we do; constantly striving to anticipate the rapidly changing needs of the market with the goal of maintaining our position as a leader in the global forfaiting market.

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

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

What is Forfaiting?

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

LFC finances a wide range of goods and services including, imports or exports of Commodities, Technology, Consumer, Capital Equipment and even Turn Key Projects. Credit periods range from 60 days up to 10 years.

LFC provides finance through loan facilities and the purchase of negotiable and transferable debt instruments. LFC's counterparties include private and publicly listed companies, banks and government authorities.

Traditional Forfaiting

Traditional forfaiting transactions are often evidenced by documentation bearing the unconditional, irrevocable and freely transferable guarantee or aval of an acceptable bank in the obligor/borrower's country. However, LFC can also consider corporate risk or government debt obligations, without additional bank security.

Typical characteristics of a traditional forfaiting transaction are:

- Amounts between USD100,000 and USD 50,000,000, although larger transactions are also considered
- All major currencies
- 100% financing "without recourse" to the seller of the obligation.
- Fixed or Floating rate
- Payment may be guaranteed by the importer's Bank or a Sovereign entity

Benefits of Traditional Forfaiting

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

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

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

Forfaiting Assets

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

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Strategic Report

Results & Performance

Against a backdrop of political uncertainty emanating from the crisis evolving in Crimea between Russia and Ukraine as well as the wider economic downturn, coupled with the stuttering larger economies of the United States of America early in the year, China and the Eurozone, 2014 has proven to be a challenging year.

LFC reported a profit of USD 1,004,203 for 2014 (2013: USD 1,269,918), which represents a 21% decrease from the previous year. Profitability was impacted negatively by the write down of a number forfaiting assets held for trading. .

Notwithstanding the significant downward valuations on these forfaiting assets, underlying core profitability remained at a healthy level. It is noteworthy that before fair valuation adjustments of these forfaiting assets, the net profit was USD 9,817,818 compared to USD 9,494,918 in 2013.

Turnover and trading income

LFC's forfaiting assets held for trading decreased by 4% from USD 272,831,977 in 2013 to USD 262,856,375 in 2014. LFC's turnover (defined as the total value of forfaiting assets sold/matured) decreased slightly to USD 353,288,355 in 2014 (2013: USD 360,678,762).

Whilst turnover and the value of forfaiting assets held for trading were largely unchanged year on year, Forfaiting Yield increased 15% from USD 11,234,069 in 2013 to USD 12,902,055 in 2014 reflecting the higher margins achieved on new transactions.

Net gains on forfaiting assets increased from a USD 2,280,625 loss in 2013 to a USD 670,456 gain in 2014. The 2013 figure included a one-off loss of USD 2,840,686 when LFC sold a position on an impaired asset; residual net gains on forfaiting assets in 2013 was therefore USD 560,061. Excluding this loss, LFC increased its net gains on forfaiting assets by 20% from the previous year.

Income from net fees and commissions decreased by 14% to USD 5,587,392 from USD 6,468,381 for the year under review.

Funding

Whilst LFC's parent, FIMBank, provided funding support, the work to develop external funding lines continued throughout the year. However the difficult economic environment in 2014 resulted in a reduced level of liquidity from funders and this was reflected in a decrease of 33% in LFC's other borrowings from USD 47,255,486 in 2013 to USD 31,748,388 in 2014. The Bank Overdraft provided by FIMBank plc. increased by 5% from USD 157,374,547 to USD 165,020,576 reflecting their continuing support. In addition, from 1 January 2014, FIMBank plc reduced the margin charged to LFC on the funding provided. As a result, net financing costs decreased by 6% from USD 4,563,642 in 2013 to USD 4,269,650.

Administrative expenses

LFC continually monitors its administrative expenses, which were 20% higher for the year at USD 5,737,650 compared to USD 4,776,053 in 2013. This was largely due to an increase in staff costs, insurance and professional fees.

Provisions

During the year, LFC settled a long outstanding legal case and as a result was able to write back USD 665,215 to profit.

Deferred Tax Asset

It should be noted that LFC recognises a deferred tax asset ("DTA") of approximately USD 6.6m in its statement of financial position. LFC currently has approximately USD 60m available to offset tax liabilities on future profits. As a result, LFC's profit for 2014 will again be attributable in full to our shareholders, without any deduction for corporation tax.

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Strategic Report (continued)

Directors and Staff

On 23 April 2014, Mohamed Fekih Ahmed joined LFC's Board of Directors. Mr. Ahmed, a Tunisian National, is the Deputy Chairman and Managing Director of Tunis International Bank and Member of the Executive Committee. In addition to his current position at Tunis International Bank, he also serves amongst others as: Board and Executive Committee Member of Gulf Bank Algeria, Algiers, Chairman of UGFS – North Africa, Tunisia (Asset Management Company); Board and Risk Committee Member of FIMBank plc, Malta. Mr Ahmed's appointment added invaluable experience to LFC's Board.

On 1 January 2015, Margrith Lutschg-Emmenegger, Director and LFC's Chairman, resigned from her position as President of the parent FIMBank plc. Furthermore, she resigned as a Director of LFC on 15 January 2015. Simon Lay, LFC Managing Director, was appointed Acting Chief Executive Officer of FIMBank plc on 1 January 2015, although he is also continuing his duties as LFC's Managing Director.

During the year, LFC opened a new office in France and recently established a further new office in Germany, extending the company's global footprint. These two new offices enhance the existing infrastructure and increases and improves origination and marketing capabilities, particularly in the French, German and neighbouring markets.

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

Financial risk management

The financial risk management objectives and policies and exposures to various risks, including market risk, liquidity risk, credit risk and operational risk are covered in note 20 of the financial statements.

Outlook

Our expectation is that market conditions in 2015 will continue to be difficult. We have the ongoing situation in Russia/Ukraine with sanctions now imposed. This coupled with the tumbling oil price having a detrimental impact on revenues in the petro-economies leading to pressures on budgets and currency weaknesses.

That said, notwithstanding the slower than envisioned growth in 2014 due largely to difficult market conditions we believe there is excellent potential for LFC going forward. LFC has this year added to its network of overseas offices and increased its' marketing staff. Consequently, we are positioned to take advantage of new opportunities in 2015.

Finally, it is noteworthy that during 2014, LFC was again recognised as being the leading forfaiting company as the recipient of the "Best Forfaiting Institution" award from both *Trade and Forfaiting Review* magazine and *Trade Finance* magazine. In addition LFC was awarded the "Best Forfaiting House" by *Global Trade Review*.

Simon Lay
Managing Director
9 February 2015

Report of the Directors

The Directors are pleased to present their report and the audited group and company financial statements for the year ended 31 December 2014.

Results and dividends

LFC's profit after tax for the year 2014 was USD 1,004,203 (2013: USD 1,269,918).
The Directors do not recommend any proposed dividend. (2013: nil)

Key Performance Indicators

Throughout the year, the Directors monitor the company's Key Performance Indicators (KPI). Financial KPI's including Turnover, Trading Income, Portfolio of Forfaiting Assets Held for Trading, Funding and Cost Income Ratio are addressed in detail in the Strategic Report on pages 3 and 4.

An essential element of maintaining LFC's growth and market leading position is the retention of key people and the provision of appropriate training. Consequently, staff turnover is also considered to be a key Non-Financial KPI and monitored closely by Directors. During 2014, LFC had nine joiners and six leavers, (2013: three joiners and three leavers).

Directors

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

Managing Director - Simon Lay
Chairman/ Director - Margrith Lutschg-Emmenegger (resigned 15 January 15)
Director - Tony Knight
Director - Ian Lucas
Director – Mohamed Fekih Ahmed (appointed 23 April 14)

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.

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Report of the Directors (continued)

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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approval

By order of the Board

Simon Lay
Director

9 February 2015
11 Ironmonger Lane
London EC2V 8EY

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

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

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

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

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

We have audited the group and parent company financial statements (the "financial statements") of London Forfaiting Company Limited for the year ended 31 December 2014 set out on pages 10 to 42.

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's and parent's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

M.McG

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

9 February 2015

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Income statement

For the year ended 31 December

	Note	Group 2014 USD	Group 2013 USD	Company 2014 USD	Company 2013 USD
Memorandum item: **Total value of forfaiting assets held for trading sold/matured during the year**		**353,288,355**	360,678,762	**353,288,355**	360,678,762
Trading Income	*4*	**10,346,288**	10,609,613	**9,464,379**	9,814,766
Administrative expenses	*5*	**(5,737,650)**	(4,776,053)	**(5,116,419)**	(4,138,094)
Other operating income	*6*	**-**	-	**132,029**	581,874
Operating profit before provisions and financing costs		**4,608,638**	5,833,560	**4,479,989**	6,258,546
Movement in provisions		**665,215**	-	**665,215**	-
Operating profit before financing costs		**5,273,853**	5,833,560	**5,145,204**	6,258,546
Financial income	*7*	**4,809**	6,624	**127,185**	162,233
Financial expenses	*7*	**(4,274,459)**	(4,570,266)	**(4,267,694)**	(5,121,047)
Net financing expense	*7*	**(4,269,650)**	(4,563,642)	**(4,140,509)**	(4,958,814)
Profit before tax		**1,004,203**	1,269,918	**1,004,695**	1,299,732
Income tax	*8*	**-**	-	**-**	-
Profit for the year attributable to equity holders of the parent		**1,004,203**	1,269,918	**1,004,695**	1,299,732

The notes on pages 16 to 42 are an integral part of these financial statements.

Statements of comprehensive income

For the year ended 31 December

	Group		Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
Profit for the year	**1,004,203**	**1,269,918**	**1,004,695**	**1,299,732**
Other comprehensive income, net of income tax				
Foreign currency translation differences for foreign operations	-	-	-	-
Total comprehensive income for the year attributable to equity holders of the parent	**1,004,203**	**1,269,918**	**1,004,695**	**1,299,732**

The notes on pages 16 to 42 are an integral part of these financial statements.

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Statements of financial position

As at 31 December

	Note	Group 2014 USD	Group 2013 USD	Company 2014 USD	Company 2013 USD
Assets					
Plant and equipment	9	**100,714**	98,396	**68,487**	90,560
Investment in subsidiaries	10	**-**	-	**74,039**	47,549
Deferred tax assets	11	**6,571,680**	6,571,680	**6,571,680**	6,571,680
Non-current assets		**6,672,394**	6,670,076	**6,714,206**	6,709,789
Forfaiting assets – held for trading	20	**262,856,375**	272,831,977	**262,856,375**	272,831,977
Cash and cash equivalents	13	**184,873**	224,659	**157,102**	193,695
Trade and other receivables	12	**1,059,688**	1,104,013	**976,270**	963,661
Current assets		**264,100,936**	274,160,649	**263,989,747**	273,989,333
Total assets		**270,773,330**	280,830,725	**270,703,953**	280,699,122
Equity					
Issued capital	15	**40,000,000**	40,000,000	**40,000,000**	40,000,000
Retained earnings		**26,974,628**	25,970,425	**26,972,454**	25,967,759
Total equity attributable to owners of the Company		**66,974,628**	65,970,425	**66,972,454**	65,967,759
Liabilities					
Provisions	17	**-**	1,360,910	**-**	1,360,910
Non-current liabilities		**-**	1,360,910	**-**	1,360,910
Bank overdraft	13	**165,020,576**	157,374,547	**165,020,576**	157,374,547
Other borrowings	14	**31,748,388**	47,255,486	**31,748,388**	47,255,486
Trade and other payables	18	**7,029,738**	8,869,357	**6,962,535**	8,740,420
Current liabilities		**203,798,702**	213,499,390	**203,731,499**	213,370,453
Total liabilities		**203,798,702**	214,860,300	**203,731,499**	214,731,363
Total equity and liabilities		**270,773,330**	280,830,725	**270,703,953**	280,699,122

The notes on pages 16 to 42 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 9 February 2015 and were signed on its behalf by:

Simon Lay
Director

Registered Number 1733470

Statements of changes in equity

Group	*Note*	Share Capital USD	General reserves USD	Retained earnings USD	Total equity USD
Balance at 1 January 2013		17,500,000	7,782,213	39,418,294	64,700,507
Total comprehensive income for the year		-	-	1,269,918	1,269,918
Transactions with owners of the company					
Contributions and distributions					
Bonus share issue	*15*	22,500,000	-	(22,500,000)	-
Transfer from general reserves	*16*	-	(7,782,213)	7,782,213	-
Total contributions and distributions		22,500,000	(7,782,213)	(14,717,787)	-
Total transactions with owners of the company		22,500,000	(7,782,213)	(14,717,787)	-
Balance at 31 December 2013		40,000,000	-	25,970,425	65,970,425
Balance at 1 January 2014		**40,000,000**	**-**	**25,970,425**	**65,970,425**
Total comprehensive income for the year		**-**	**-**	**1,004,203**	**1,004,203**
Transactions with owners of the company					
Contributions and distributions		**-**	**-**	**-**	**-**
Total contributions and distributions		**-**	**-**	**-**	**-**
Total transactions with owners of the company		**-**	**-**	**-**	**-**
Balance at 31 December 2013		**40,000,000**	**-**	**26,974,628**	**66,974,628**

The notes on pages 16 to 42 are an integral part of these financial statements.

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Statements of changes in equity (continued)

Company	*Note*	Share Capital USD	General reserves USD	Retained earnings USD	Total equity USD
Balance at 1 January 2013		17,500,000	7,782,213	39,385,814	64,668,027
Total comprehensive income for the year		-	-	1,299,732	1,299,732
Transactions with owners of the company					
Contributions and distributions					
Bonus share issue	*15*	22,500,000	-	(22,500,000)	-
Transfer from general reserves	*16*	-	(7,782,213)	7,782,213	-
Total contributions and distributions		22,500,000	(7,782,213)	(14,717,787)	-
Total transactions with owners of the company		22,500,000	(7,782,213)	(14,717,787)	-
Balance at 31 December 2013		40,000,000	-	25,967,759	65,967,759
Balance at 1 January 2014		**40,000,000**	**-**	**25,967,759**	**65,967,759**
Total comprehensive income for the year		**-**	**-**	**1,004,695**	**1,004,695**
Transactions with owners of the company					
Contributions and distributions					
Transfer from general reserves	*16*	**-**	**-**	**-**	**-**
Total contributions and distributions		**-**	**-**	**-**	**-**
Total transactions with owners of the company		**-**	**-**	**-**	**-**
Balance at 31 December 2013		**40,000,000**	**-**	**26,972,454**	**66,972,454**

The notes on pages 16 to 42 are an integral part of these financial statements.

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Statements of cash flows

For the year ended 31 December

	Note	Group		Company	
		2014	**2013**	**2014**	**2013**
		USD	**USD**	**USD**	**USD**
Cash flows from operating activities					
Proceeds from sale /maturity of forfaiting assets held for trading		**366,575,437**	383,877,015	**366,575,437**	383,877,015
Purchase of forfaiting assets held for trading		**(351,840,939)**	(407,941,359)	**(351,840,939)**	(407,941,359)
Interest and commissions receipts		**6,881,446**	7,374,852	**7,003,822**	7,530,461
Interest and commissions payments		**(4,905,443)**	(4,991,207)	**(5,787,352)**	(6,036,368)
Payment to employees and suppliers		**(6,929,321)**	(5,512,403)	**(6,214,704)**	(4,794,254)
Cash inflow/ (outflow) before changes in operating assets/liabilities		**9,781,180**	(27,193,102)	**9,736,264**	(27,364,505)
(Increase) / decrease in operating assets:					
Amounts due from parent		**2,699**	9,940	**2,699**	9,940
Prepayments, accrued income and other debtors		**41,626**	(66,877)	**(15,307)**	(148,399)
Increase / (decrease) in operating liabilities:					
Amounts due to parent		**(175,447)**	151,859	**(175,447)**	151,859
Other liabilities		**(1,790,295)**	(882,809)	**(1,791,346)**	(882,811)
Net cash (used in)/ from operating activities before income tax		**(1,921,417)**	(787,887)	**(1,979,401)**	(869,411)
Tax paid		**-**	-	**-**	-
Net cash used in operating activities		**7,859,763**	(27,980,989)	**7,756,863**	(28,233,916)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(38,480)**	(7,801)	**(37,926)**	(7,780)
Proceeds from disposal of plant and equipment		**-**	14,144	**-**	-
Repayment from subsidiaries		**-**	-	**105,539**	358,564
Net cash from investing activities		**(38,480)**	6,343	**67,613**	350,784
Cash flows from financing activities					
Proceeds from the issue of promissory notes		**58,402,123**	90,472,827	**58,402,123**	90,472,827
Repayment of issued promissory notes		**(83,300,933)**	(63,789,751)	**(83,300,933)**	(63,789,751)
Proceeds from money market loan agreements entered		**4,859,677**	2,757,480	**4,859,677**	2,757,480
Repayment of money market loan agreements		**(2,757,480)**	(11,637,478)	**(2,757,480)**	(11,637,478)
Proceeds from repo financing agreements entered		**53,799,137**	144,000,000	**53,799,137**	144,000,000
Repayment of repo financing agreements		**(46,509,622)**	(157,500,000)	**(46,509,622)**	(157,500,000)
Proceeds from bank overdraft		**7,646,029**	23,657,779	**7,646,029**	23,657,779
Dividends paid		**-**	-	**-**	-
Net cash from financing activities		**(7,861,069)**	27,960,857	**(7,861,069)**	27,960,857
Net (decrease)/ increase in cash and cash equivalents		**(39,786)**	(13,789)	**(36,593)**	77,725
Cash and cash equivalents at 1 January		**224,659**	238,448	**193,695**	115,970
Cash and cash equivalents at 31 December	*13*	**184,873**	224,659	**157,102**	193,695

The notes on pages 16 to 42 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

London Forfaiting Company Limited (the "Company") is a company domiciled in the United Kingdom. The address of the Company's registered office is 11 Ironmonger Lane, London EC2V 8EY. The financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in forfaiting, a further background to our business is shown on page 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 4.

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

(a) Statement of compliance

Both the parent company financial statements and the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The financial statements were authorised for issue by the Board of Directors on 9 February 2015.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items in the statements of financial position:

- forfaiting assets held for trading are measured at fair value; and;
- derivative financial instruments are measured at fair value

(c) Functional and presentation currency

These financial statements are presented in United States Dollars (USD), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 11, 12, 17 and 19.

LONDON FORFAITING

Notes to the financial statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non- monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to US Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the US Dollar at the exchange rates at the dates of the transactions.

(c) Forfaiting assets held for trading

Forfaiting assets held for trading comprising bills of exchange, promissory notes and transferable trade related loans are financial instruments held for trading and are stated at fair value with any resulting gain or loss recognised in the income statement. Fair value is calculated using the credit worthiness and interest rates on each asset at the reporting date and determining whether or not it is higher or lower than the book value, with the resulting gain or loss taken to the income statement.

(d) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational activities, however, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately to the income statements. The fair value of interest rate future contracts is the estimated amount that the Group would receive or pay to terminate the contract at the reporting date, taking into account current interest rates.

Notes to the financial statements

3. Significant accounting policies (continued)

(e) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant or equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised as other operating expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

leasehold improvement	5 years
fixtures, fittings and equipment	4 years
motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Investments in subsidiaries

Investments in subsidiaries are shown in the statement of financial position of the Company at cost less impairment losses (see accounting policy i).

(g) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy i).

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the financial statements

3. Significant accounting policies (continued)

(i) Impairment

The Group's assets (other than deferred tax assets – see policy (p)) are individually assessed at each reporting date to determine whether there is any evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated cash flows of that assets.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the estimated recoverable amount.

All impairment losses are recognised in the income statements. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(j) Interest-bearing borrowings

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

(k) Employee benefits

The Group contributes towards defined contribution plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(l) Provisions

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

(m) Trade and other payables

Trade and other payables are stated at cost.

(n) Trading income

Trading income is analysed in note 4 to the financial statements. This represents the net amount earned from forfaiting yield, net gains and losses from the sale of forfaiting assets held for trading, amounts from written off assets, both realised and unrealised fair value adjustments and net fees and commissions income.

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

The Group earns fees and commissions income from the purchase of forfaiting assets held for trading, which can be divided into three broad categories; fees earned from services that are provided over a period of time, which are recognised over the period in which the service is provided; fees that are earned on completion of a significant act or on the occurrence of an event, such as the completion of a transaction, which are recognised when the act is completed or when the event occurs; and fees that are an integral part of the effective interest rate of the forfaiting assets held for trading.

The Group has entered into future contracts to hedge its interest rate exposure. Any gains and losses made under these derivative financial instruments are included within trading income.

As at the reporting date the Group has recognised the fair value of its forfaiting assets held for trading and derivative financial instruments. Fair value is calculated using the credit worthiness and interest rates on each asset at the reporting date and determining whether or not it is higher or lower than the book value, with the resulting profit or loss taken to the income statement.

Notes to the financial statements
3. Significant accounting policies (continued)

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

(ii) Net financing costs
Net financing costs comprise interest payable and foreign exchange gains and losses.
Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

(p) Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary difference, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Segment Reporting
The Group is not required to adopt IFRS 8 Operating Segment reporting as the Group is not listed. All trading income and profits before taxation are derived from the Group’s sole activity of international trade finance focusing on forfaiting and loans. As trading is carried out in international markets, it is not viewed to be contained by geographical boundaries.

(r) Sale and repurchase agreements
When forfaiting assets held for trading are sold subject to a commitment to repurchase them at a predetermined price (repos), they remain on the balance sheet as, in substance, these transactions are in the nature of secured borrowings. As a result of these transactions, the Company is unable to use, sell or pledge the transferred assets for the duration of the transaction. Similarly, forfaiting assets held for trading purchased under commitments to sell ('reverse repos') are not recognised on the balance sheet.

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Notes to the financial statements

3. Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Group, with the exception of:

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

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

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

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Notes to the financial statements

4. Trading income

	Group		Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
Net gain on financial instruments held for trading:				
Forfaiting yield	**12,902,055**	11,234,069	**12,902,055**	11,234,069
Net (losses)/ gains on sale of forfaiting assets held for trading	**670,456**	(2,280,625)	**670,456**	(2,280,625)
Amounts received from written off assets	**-**	434,676	**-**	434,676
Fair valuation of forfaiting assets held for trading and derivative financial instruments	**(8,813,615)**	(5,246,888)	**(8,813,615)**	(5,246,888)
	4,758,896	4,141,232	**4,758,896**	4,141,232
Fees and commissions income	**6,211,422**	6,933,552	**6,211,422**	6,933,552
Fees and commissions expenses	**(624,030)**	(465,171)	**(1,505,939)**	(1,260,018)
	10,346,288	10,609,613	**9,464,379**	9,814,766

Included within the company’s fees and commissions expense is an amount of USD 881,909 (2013: USD 794,848) payable to subsidiaries.

5. Administrative expenses

	Group		Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
Staff cost				
- wages, salaries and allowances	**3,926,254**	3,281,337	**3,498,747**	2,881,869
- social security cost	**366,620**	343,819	**345,280**	324,025
- other pension cost	**156,162**	175,872	**142,808**	160,344
Operating lease expenses	**487,726**	429,268	**403,800**	334,164
Auditor’s remuneration:				
Audit of these financial statements	**79,558**	88,928	**79,558**	88,928
Amount receivable by auditors and their associates in respect of services to subsidiaries:				
- review of interim information	**69,984**	41,220	**69,984**	41,220
- audit of financial statements of subsidiaries	**8,000**	10,000	**8,000**	10,000
- other services relating to taxation	**30,731**	32,630	**30,731**	32,630
Other professional fees	**298,234**	121,629	**287,922**	112,818
Management fees recharged to parent	**(579,997)**	(579,997)	**(579,997)**	(579,997)
Other administrative expenses	**894,378**	831,347	**829,586**	732,093
	5,737,650	4,776,053	**5,116,419**	4,138,094

	Group		Company	
Average number of employees (including Directors) during the year:	2014	2013	2014	2013
- forfaiting and loan officers	**15**	12	**11**	10
- other staff	**18**	20	**17**	18
	33	32	**28**	28

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

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Notes to the financial statements

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	Group		Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
Directors Emoluments	**995,928**	1,024,788	**995,928**	1,024,788
Money purchase pension contributions	**50,251**	79,868	**50,251**	79,868
Social costs borne by the Company	**119,083**	130,099	**119,083**	130,099
	1,165,262	1,234,755	**1,165,262**	1,234,755

The total aggregate of directors' renumeration is based on a full year's entitlement. The aggregate of emoluments and amounts receivable for the highest paid director is USD 545,870 (2013: USD 624,042)

6. Other operating income / (expenses)

	Group		Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
Reversal of impairment on loan to subsidiary	**-**	-	**105,539**	108,268
(Impairment)/ reversal on investment in subsidiary	**-**	-	**26,490**	(41,527,967)
Dividend received from subsidiary	**-**	-	**-**	42,001,573
	-	-	**132,029**	581,874

During 2013, the Company received a non-cash dividend of USD 42,001,573 from its investment in London Forfaiting International Limited, a wholly owned subsidiary of the Company.

7. Net financing costs

	Group		Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
Interest income				
Receivable from subsidiaries	**-**	-	**126,102**	160,580
Other	**4,809**	6,624	**1,083**	1,653
Financial income	**4,809**	6,624	**127,185**	162,233
Interest expense				
Payable to parent	**(3,373,013)**	(3,341,579)	**(3,373,013)**	(3,341,579)
Payable to subsidiaries	**-**	-	**-**	(562,830)
Payable to third parties	**(908,399)**	(1,184,457)	**(908,399)**	(1,184,457)
Net exchange losses	**6,953**	(44,230)	**13,718**	(32,181)
Financial expenses	**(4,274,459)**	(4,570,266)	**(4,267,694)**	(5,121,047)
Net financing expenses	**(4,269,650)**	(4,563,642)	**(4,140,509)**	(4,958,814)

Notes to the financial statements

8. Income tax

	Group 2014 USD	Group 2013 USD	Company 2014 USD	Company 2013 USD
Current tax				
Tax for non-current year				
Non-current	**-**	-	**-**	-
Deferred tax				
Benefit / (write-down) of tax losses recognised	**-**	-	**-**	-
Income tax	**-**	-	**-**	-

Reconciliation of effective tax rate

	Group 2014 USD	Group 2013 USD	Company 2014 USD	Company 2013 USD
Profit before tax	**1,004,203**	1,269,918	**1,004,695**	1,299,732
Tax using the UK Corporation tax rate of 21.50% (2013: 23.25%)	**215,904**	295,256	**216,009**	302,188
Effects of:				
Expenses/(income) disregarded for tax purposes	**4,044**	5,095	**(25,175)**	(130,946)
Depreciation in excess of capital allowances	**7,775**	21,313	**12,900**	19,349
Utilisation of tax losses brought forward	**(227,723)**	(321,664)	**(203,734)**	(190,591)
Income tax	**-**	-	**-**	-

Notes to the financial statements

9. Plant and equipment

Group

	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost			
Balance at 1 January 2013	1,077,552	137,451	1,215,003
Additions	7,801	-	7,801
Disposals	(362,883)	270	(362,613)
Balance at 31 December 2013	722,470	137,721	860,191
Balance at 1 January 2014	**722,470**	**137,721**	**860,191**
Additions	**38,480**	**-**	**38,480**
Disposals	**(53,827)**	**-**	**(53,827)**
Balance at 31 December 2014	**707,123**	**137,721**	**844,844**
Depreciation			
Balance at 1 January 2013	952,833	65,755	1,018,588
Depreciation charge for the year	68,855	29,888	98,743
Disposals	(355,806)	270	(355,536)
Balance at 31 December 2013	665,882	95,913	761,795
Balance at 1 January 2014	**665,882**	**95,913**	**761,795**
Depreciation charge for the year	**30,428**	**5,734**	**36,162**
Disposals	**(53,827)**	**-**	**(53,827)**
Balance at 31 December 2014	**642,483**	**101,647**	**744,130**
Carrying amounts			
At 1 January 2013	124,719	71,696	196,415
At 31 December 2013	56,588	41,808	98,396
At 1 January 2014	**56,588**	**41,808**	**98,396**
At 31 December 2014	**64,640**	**36,074**	**100,714**

Notes to the financial statements

9. Plant and equipment (continued)

Company

	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost			
Balance at 1 January 2013	625,753	95,080	720,833
Additions	7,780	-	7,780
Balance at 31 December 2013	633,533	95,080	728,613
Balance at 1 January 2014	**633,533**	**95,080**	**728,613**
Additions	**37,926**	**-**	**37,926**
Disposals	**(51,449)**	**-**	**(51,449)**
Balance at 31 December 2014	**620,010**	**95,080**	**715,090**
Depreciation			
Balance at 1 January 2013	495,340	59,492	554,832
Depreciation charge for the year	60,901	22,320	83,221
Balance at 31 December 2013	556,241	81,812	638,053
Balance at 1 January 2014	**556,241**	**81,812**	**638,053**
Depreciation charge for the year	**53,630**	**6,369**	**59,999**
Disposals	**(51,449)**	**-**	**(51,449)**
Balance at 31 December 2014	**558,422**	**88,181**	**646,603**
Carrying amounts			
At 1 January 2013	130,413	35,588	166,001
At 31 December 2013	77,292	13,268	90,560
At 1 January 2014	**77,292**	**13,268**	**90,560**
At 31 December 2014	**61,588**	**6,899**	**68,487**

Notes to the financial statements

10. Investments in subsidiaries

Company

	2014 USD	2013 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	**47,662,742**	6,134,775
Impairment	**-**	41,527,967
Reversal	**(26,490)**	-
Balances at 31 December	**47,636,252**	47,662,742
Net investment	**74,039**	47,549

During 2013, LFC Limited received a non-cash dividend from its subsidiary, London Forfaiting International Limited for USD 42,001,573. Consequently, LFC Limited impaired the subsidiary by USD 41,527,967. As the subsidiary is wholly owed, there was no impact to the equity of group.

The Group and Company have the following investments in subsidiaries:

	Nature of business	Country of incorporation	Issued ordinary share capital	Ownership interest 2014	Ownership interest 2013
London Forfaiting International Limited	*Holding company*	Great Britain	USD 1,000	100%	100%
London Forfaiting Americas Inc. *	*Marketing*	United States of America	USD 250,000	100%	100%
London Forfaiting do Brasil Ltda. *	*Marketing*	Brazil	BRL 4,045,656	100%	100%

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

Notes to the financial statements

11. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
Tax value of loss carry-forwards				
Recognised	**6,571,680**	6,571,680	**6,571,680**	6,571,680

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

Unrecognised deferred tax assets

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

Group	Gross amount		Tax value	
	2014	2013	2014	2013
	USD	USD	USD	USD
Tax losses	**32,433,397**	33,415,714	**6,486,679**	6,683,143

Company	Gross amount		Tax value	
	2014	2013	2014	2013
	USD	USD	USD	USD
Tax losses	**25,384,447**	26,256,117	**5,076,889**	5,251,223

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

During 2013, the Finance Act 2013 enacted reductions in the rate of UK corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015. As the 20% rate was substantively enacted as at the balance sheet date, the deferred tax balances as at 31 December 2014 have been stated at 20%.

12. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
Amounts due from parent	**490,194**	492,893	**490,194**	492,893
Pre-payments and accrued income	**416,760**	393,273	**380,659**	356,668
Other debtors	**152,734**	217,847	**105,417**	114,100
	1,059,688	1,104,013	**976,270**	963,661

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

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Notes to the financial statements

13. Cash and cash equivalents

	Group		Company	
	2014	**2013**	**2014**	**2013**
	USD	**USD**	**USD**	**USD**
Cash at banks	**170,477**	203,544	**142,710**	172,585
Cash in hand	**14,396**	21,115	**14,392**	21,110
Cash at banks and in hand	**184,873**	224,659	**157,102**	193,695

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

Bank overdraft

The overdraft facility, from the parent company, is the equivalent of USD 325 million (2013: USD 300 million) and expires on 31 March 2016. This facility is made available in USD, GBP, Euro, JPY and/or AED and is unsecured.

14. Other borrowings
Group and Company

	2014	**2013**
	USD	**USD**
Issued promissory notes	**10,599,196**	35,498,006
Money market loans	**4,859,677**	2,757,480
Repos	**16,289,515**	9,000,000
Other borrowings	**31,748,388**	47,255,486

	Carrying amount of transferred liabilities 2014 USD	**Carrying amount of transferred assets 2014 USD**	**Carrying amount of transferred liabilities 2013 USD**	**Carrying amount of transferred assets 2013 USD**
Repos	**16,289,515**	**19,719,354**	9,000,000	10,000,000

The assets transferred under the repurchase agreement are forfaiting assets held for trading with market value of USD 19,719,354 (2013: USD 10,000,000) which have been pledged as collateral under repurchase agreement entered by the Company.

15. Share capital

	Ordinary shares	
In thousands of shares	**2014**	**2013**
In issue at 1 January and 31 December – fully paid	40,000	40,000

At 31 December 2014, the paid share capital comprised of 40,000,000 (2013: 40,000,000) ordinary shares of USD 1 each. The Company issued 22,500,000 bonus shares of one USD each, amounting to USD 22,500,000 on the 18 December 2013 through the capitalisation of retained earnings of the company.The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The Directors do not recommend any proposed dividend.

Notes to the financial statements

16. General reserves

The general reserve was created from an appropriation from retained earnings for the potential future risks inherent in the Group and Company's forfaiting assets held for trading. It is based upon an arithmetic result derived from using a traditional method of calculating general provisions on the basis of a matrix of probability of loss, which is likely to be found in any portfolio of loans or advances. As the Group and Company reflects the changes in the fair value of its forfaiting assets held for trading through its Income Statement, the Directors have decided to cancel the reserve. The cancellation of this reserve has no impact on the credit worthiness on the fair value of its forfaiting assets held for trading.

17. Provisions

Group and Company

	Legal provisions USD	Total USD
Balance at 1 January 2014	1,360,910	**1,360,910**
Provisions created during the year	-	**-**
Provisions used during the year	(568,397)	(568,397)
Provisions reversed during the year	(665,215)	(665,215)
Exchange difference	(127,298)	(127,298)
Balance at 31 December 2014	**-**	**-**

The Company settled an outstanding legal case during the year, which allowed it to reverse USD 665,215 to profit.

18. Trade and other payables

	Group		Company	
	2014 USD	2013 USD	2014 USD	2013 USD
Amounts due to parent	**383,068**	558,515	**383,068**	558,515
Accruals and deferred income	**6,646,670**	8,309,931	**6,579,467**	8,181,905
Other taxation and social security	**-**	911	**-**	-
	7,029,738	8,869,357	**6,962,535**	8,740,420

Included in accruals and deferred income is USD1.05m (2013: USD1.01m) of fees received on trades entered into where the company has a continued involvement. These amounts are released to the income statement over the period to which the company is expected to have a continued involvement. As at 31 December 2014, this is expected to be between 8 and 10 years

Amounts due to parent yield no interest. These payables are unsecured and have no fixed date for repayment.

Notes to the financial statements

19. Fair values of financial instruments

Fair values

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

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

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

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

Forfaiting assets held for trading

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

When available, the Group measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regular occurring market transactions on an arm's length basis. However, forfaiting assets are not actively trading with quoted prices. Accordingly, the Group establishes fair value using a valuation technique based on the discounted expected future principal and interest cash flows. The discount rate is an estimate based on current expected credit margin spreads and interest rates at the reporting date. Inputs to valuation technique reasonably represent market expectation and measures of risk-return factors inherent in the financial instrument. Due to the judgmental nature of the assumptions used, in particular the discount rate, the valuation methodology is considered level 3 as per IFRS 7 classification.

The Group has an established control framework with respect to the measurement of fair values. This framework includes reports to the Managing Director and in his absence, the Head of Trading who has overall responsibility for verifying the results of trading and investment operations and all significant fair value measurements. Significant valuation issues are reported to the Board of Directors and the Board Risk Committee of the parent company, FIMBank plc.

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Notes to the financial statements

19. Fair values of financial instruments - continued

Derivatives

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

Interest rates used for determining fair value

The Group and Company use the LIBOR yield curve as of 31 December 2014 plus an adequate credit margin spread to discount forfaiting assets held for trading. The interest rates used are as follows:

	2014	2013
Forfaiting assets held for trading	**0.17% - 8.40%**	1.28% - 10.96%

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

	2014 USD	2013 USD
Balance at 1 January	**272,831,977**	245,061,077
Total losses in trading income	**(10,634,714)**	(5,507,341)
Purchases	**352,892,501**	395,499,333
Settlements	**(352,233,389)**	(362,221,092)
Balance at 31 December	**262,856,375**	272,831,977

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Notes to the financial statements

19. 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
2014	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	**-**	**184,873**	**-**	**184,873**	**184,873**
Trade and other receivables	**-**	**1,059,688**	**-**	**1,059,688**	**1,059,688**
Liabilities					
Bank overdraft	**-**	**165,020,576**	**-**	**165,020,576**	**165,020,576**
Other borrowings	**-**	**31,748,388**	**-**	**31,748,388**	**31,748,388**
Trade and other payables	**-**	**7,029,738**	**-**	**7,029,738**	**7,029,738**
2013	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	224,659	-	224,659	224,659
Trade and other receivables	-	1,104,013	-	1,104,013	1,104,013
Liabilities					
Bank overdraft	-	157,374,547	-	157,374,547	157,374,547
Other borrowings	-	47,255,486	-	47,255,486	47,255,486
Trade and other payables	-	8,869,357	-	8,869,357	8,869,357

Company	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2014	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	**-**	**157,102**	**-**	**157,102**	**157,102**
Trade and other receivables	**-**	**976,270**	**-**	**976,270**	**976,270**
Liabilities					
Bank overdraft	**-**	**165,020,576**	**-**	**165,020,576**	**165,020,576**
Other borrowings	**-**	**31,748,388**	**-**	**31,748,388**	**31,748,388**
Trade and other payables	**-**	**6,962,535**	**-**	**6,962,535**	**6,962,535**
2013	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	193,695	-	193,695	193,695
Trade and other receivables	-	963,661	-	963,661	963,661
Liabilities					
Bank overdraft	-	157,374,547	-	157,374,547	157,374,547
Other borrowings	-	47,255,486	-	47,255,486	47,255,486
Trade and other payables	-	8,740,420	-	8,740,420	8,740,420

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

20. Financial instruments

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

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

Derivative financial instruments are restricted in use to economically hedge exposures to fluctuations in interest rates.

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board in conjunction with the Executive Committee (EXCO) of the parent company, FIMBank plc, has established risk management policies which are responsible for developing and monitoring of all risk to the Group.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Group's risk management is also monitored by the parent company FIMBank plc's Risk Management Committee.

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

Notes to the financial statements

20. Financial instruments (continued)

Market risk

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

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

Market risk - Price risk

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

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

Forfaiting assets held for trading

Region	2014 USD	2013 USD
Africa & Middle East	**99,286,487**	101,554,812
America	**49,675,354**	30,584,325
Asia	**31,886,405**	39,026,860
Central and Eastern Europe	**37,283,671**	85,232,168
Europe	**44,724,458**	16,433,812
	262,856,375	272,831,977

Counterparty type	2014 USD	2013 USD
Banks	**91,596,709**	109,422,608
Corporates	**138,147,249**	125,088,840
Sovereign	**33,112,417**	38,320,529
	262,856,375	272,831,977

Notes to the financial statements

20. 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			**2014**					2013		
	USD	**Euro**	**Sterling**	**Other**	**Total**	USD	Euro	Sterling	Other	Total
Assets		**USD**	**USD**	**USD**	**USD**		USD	USD	USD	USD
- Forfaiting assets held for trading	**217,001,593**	**42,812,595**	**3,042,187**	**-**	**262,856,375**	224,985,570	40,819,702	7,026,705	-	272,831,977
- Cash and cash equivalents	**71,496**	**85,316**	**6,509**	**21,552**	**184,873**	61,655	9,886	128,868	24,250	224,659
- Trade and other receivables	**864,677**	**3,099**	**146,433**	**45,479**	**1,059,688**	836,397	5,880	158,202	103,534	1,104,013
Total Assets	**217,937,766**	**42,901,010**	**3,195,129**	**67,031**	**264,100,936**	225,883,622	40,835,468	7,313,775	127,784	274,160,649
Liabilities										
- Bank overdraft	**130,949,891**	**30,683,169**	**3,387,516**	**-**	**165,020,576**	127,547,230	22,619,870	7,207,447	-	157,374,547
- Other borrowings	**17,845,270**	**13,903,118**	**-**	**-**	**31,748,388**	30,924,732	16,330,754	-	-	47,255,486
- Trade and other payables	**6,025,107**	**463,375**	**518,456**	**22,800**	**7,029,738**	7,786,497	274,922	722,351	85,587	8,869,357
- Provisions	**-**	**-**	**-**	**-**	**-**	-	1,360,910	-	-	1,360,910
Total liabilities	**154,820,268**	**45,049,662**	**3,905,972**	**22,800**	**203,798,702**	166,258,459	40,586,456	7,929,798	85,587	214,860,300

Company			**2014**					2013		
	USD	**Euro**	**Sterling**	**Other**	**Total**	USD	Euro	Sterling	Other	Total
Assets		**USD**	**USD**	**USD**	**USD**		USD	USD	USD	USD
- Forfaiting assets held for trading	**217,001,593**	**42,812,595**	**3,042,187**	**-**	**262,856,375**	224,985,570	40,819,702	7,026,705	-	272,831,977
- Cash and cash equivalents	**65,277**	**85,316**	**6,509**	**-**	**157,102**	54,906	9,886	128,868	35	193,695
- Trade and other receivables	**826,738**	**3,099**	**146,433**	**-**	**976,270**	799,579	5,880	158,202	-	963,661
Total Assets	**217,893,608**	**42,901,010**	**3,195,129**	**-**	**263,989,747**	225,840,055	40,835,468	7,313,775	35	273,989,333
Liabilities										
- Bank overdraft	**130,949,891**	**30,683,169**	**3,387,516**	**-**	**165,020,576**	127,547,230	22,619,870	7,207,447	-	157,374,547
- Other borrowings	**17,845,270**	**13,903,118**	**-**	**-**	**31,748,388**	30,924,732	16,330,754	-	-	47,255,486
- Trade and other payables	**5,980,703**	**463,375**	**518,457**	**-**	**6,962,535**	7,743,147	274,922	722,351	-	8,740,420
- Provisions	**-**	**-**	**-**	**-**	**-**	-	1,360,910	-	-	1,360,910
Total liabilities	**154,775,864**	**45,049,662**	**3,905,973**	**-**	**203,731,499**	166,215,109	40,586,456	7,929,798	-	214,731,363

Notes to the financial statements

20. Financial instruments (continued)

Market risk - Currency risk (continued)

A 10 percent strengthening of the US Dollar against the other currencies at 31 December 2014 would have increased equity and the profit by USD 255,933 (2013: USD 29,529 loss). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2013. A 10 percent weakening of the US Dollars would give rise to an equal and opposite effect.

Market risk - Interest rate risk

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

In view of the fact that the hedged item is measured at fair value through the profit or loss, fair value hedge accounting is not required. The net fair value adjustment of the interest rate futures at 31 December 2014 was a loss of USD 27,825 (2013: USD 4,375 loss). These amounts are recognised as fair valuation of derivative financial instruments.

In managing the interest rate risk, the Group and Company aims to reduce the impact of short term fluctuations on the Group and Company's earnings. Notwithstanding the current low LIBOR rate environment, the Group and Company enter into interest rate futures contracts to hedge against the risk of changes in the fair value of its trading assets resulting from changes in interest rates for its forfaiting assets with an average life of more than six months. The effect of an estimated general increase of one percentage point in interest rate on trading assets with an average life of more than six months as at 31 December 2014 would reduce the Group and Company's profit before tax by approximately USD 858,055 (2013: USD 668,031).

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 325 million and external borrowings. In this regard, the Group and Company's liquidity risks are limited in view of the marketability of the forfaiting assets held for trading and the availability of credit lines from the parent. In addition, the Group and Company's gearings are low in relation to its current level of operations.

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

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.

Notes to the financial statements

20. Financial instruments (continued)

Liquidity risk (continued)

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
2014						
Bank overdraft	**165,020,576**	**169,152,485**	**1,652,764**	**1,652,764**	**165,846,957**	**-**
Other borrowings	**31,748,388**	**31,889,867**	**27,007,224**	**4,882,643**	**-**	**-**
Amounts due to parent	**383,068**	**383,068**	**383,068**	**-**	**-**	**-**
Accruals and deferred income	**6,646,670**	**6,709,674**	**753,645**	**2,222,026**	**1,218,729**	**2,515,274**
Other taxation and social security	**-**	**-**	**-**	**-**	**-**	**-**
Total	**203,798,702**	**208,135,094**	**29,796,701**	**8,757,433**	**167,065,686**	**2,515,274**
2013						
Bank overdraft	157,374,547	161,315,894	1,576,539	1,576,539	158,162,816	-
Other borrowings	47,255,486	47,402,979	36,630,924	10,772,055	-	-
Amounts due to parent	558,515	558,515	558,515	-	-	-
Accruals and deferred income	8,309,931	8,309,931	1,056,844	3,930,725	286,180	3,036,182
Other taxation and social security	911	911	911	-	-	-
Total	213,499,390	217,588,230	39,823,733	16,279,319	158,448,996	3,036,182

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
2014						
Bank overdraft	**165,020,576**	**169,152,485**	**1,652,764**	**1,652,764**	**165,846,957**	**-**
Other borrowings	**31,748,388**	**31,889,867**	**27,007,224**	**4,882,643**	**-**	**-**
Amounts due to parent	**383,068**	**383,068**	**383,068**	**-**	**-**	**-**
Accruals and deferred income	**6,579,468**	**6,579,468**	**713,605**	**2,131,860**	**1,218,729**	**2,515,274**
Total	**203,731,500**	**208,004,888**	**29,756,661**	**8,667,267**	**167,065,686**	**2,515,274**
2013						
Bank overdraft	157,374,547	161,315,894	1,576,539	1,576,539	158,162,816	-
Other borrowings	47,255,486	47,402,979	36,630,924	10,772,055	-	-
Amounts due to parent	558,515	558,515	558,515	-	-	-
Accruals and deferred income	8,181,905	8,181,905	1,073,379	3,786,164	286,180	3,036,182
Total	213,370,453	217,459,293	39,839,357	16,134,758	158,448,996	3,036,182

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Notes to the financial statements

20. 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.

	2014						2013					
	Effective interest rate	Total USD	6 months or less USD	6-12 months USD	1-2 years USD	2-5 years USD	Effective interest rate	Total USD	6 months or less USD	6-12 months USD	1-2 years USD	2-5 years USD
Forfaiting assets held for trading												
- USD fixed rate	5.91	104,598,237	47,422,169	27,659,845	22,117,909	7,398,314	4.97	72,260,207	24,924,961	10,461,254	36,873,992	-
- Euro fixed rate	5.61	6,918,421	6,918,421	-	-	-	6.63	7,583,057	437,870	7,145,187	-	-
- GBP fixed rate	3.18	3,042,187	3,042,187	-	-	-	3.71	7,026,705	7,026,705	-	-	-
- USD floating rate	5.17	112,403,356	7,080,077	33,288,344	37,615,938	34,418,997	4.78	152,725,363	14,084,139	49,855,049	40,088,493	48,697,682
- Euro floating rate	5.18	35,894,174	35,894,174	-	-	-	5.51	33,236,645	-	-	-	33,236,645
		262,856,375	100,357,028	60,948,189	59,733,847	41,817,311		272,831,977	46,473,675	67,461,490	76,962,485	81,934,327
Cash and cash equivalents												
-Cash at Bank	-	170,477	170,477	-	-	-	-	203,544	203,544	-	-	-
- Cash in hand	-	14,396	14,396	-	-	-	-	21,115	21,115	-	-	-
		184,873	184,873	-	-	-		224,659	224,659	-	-	-
Bank overdraft												
- USD	2.17	(130,949,891)	-	-	(130,949,891)	-	2.67	(127,547,230)	-	-	(127,547,230)	-
- EUR	2.01	(30,683,169)	-	-	(30,683,169)	-	2.70	(22,619,870)	-	-	(22,619,870)	-
- GBP	2.51	(3,387,516)	-	-	(3,387,516)	-	2.99	(7,207,447)	-	-	(7,207,447)	-
		(165,020,576)	-	-	(165,020,576)	-		(157,374,547)	-	-	(157,374,547)	-
Other Borrowings	2.09	31,748,388	26,888,711	4,859,677	-	-	2.01	(47,255,486)	(36,498,006)	(10,757,480)	-	-
		129,769,060	127,430,612	65,807,866	(105,286,729)	41,817,311		68,426,603	10,200,328	56,704,010	(80,412,062)	81,934,327

Notes to the financial statements

20. 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.

	2014						2013					
	Effective interest rate	Total USD	6months or less USD	6-12 months USD	1-2 years USD	2-5 years USD	Effective interest rate	Total USD	6months or less USD	6-12 months USD	1-2 years USD	2-5 years USD
Forfaiting assets held for trading												
- USD fixed rate	**5.91**	**104,598,237**	**47,422,169**	**27,659,845**	**22,117,909**	**7,398,314**	4.97	72,260,207	24,924,961	10,461,254	36,873,992	-
- Euro fixed rate	**5.61**	**6,918,421**	**6,918,421**	**-**	**-**	**-**	6.63	7,583,057	437,870	7,145,187	-	-
- GBP fixed rate	**3.18**	**3,042,187**	**3,042,187**	**-**	**-**	**-**	3.71	7,026,705	7,026,705	-	-	-
- USD floating rate	**5.17**	**112,403,356**	**7,080,077**	**33,288,344**	**37,615,938**	**34,418,997**	4.78	152,725,363	14,084,139	49,855,049	40,088,493	48,697,682
- Euro floating rate	**5.18**	**35,894,174**	**35,894,174**	**-**	**-**	**-**	5.51	33,236,645	-	-	-	33,236,645
		262,856,375	**100,357,028**	**60,948,189**	**59,733,847**	**41,817,311**		272,831,977	46,473,675	67,461,490	76,962,485	81,934,327
Cash and cash equivalents												
-Cash at Bank	**-**	**142,710**	**142,710**	**-**	**-**	**-**	-	172,585	172,585	-	-	-
- Cash in hand	**-**	**14,392**	**14,392**	**-**	**-**	**-**	-	21,110	21,110	-	-	-
		157,102	**157,102**	**-**	**-**	**-**		193,695	193,695	-	-	-
Bank overdraft												
- USD	**2.17**	**(130,949,891)**	**-**	**-**	**(130,949,891)**	**-**	2.67	(127,547,230)	-	-	(127,547,230)	-
- EUR	**2.01**	**(30,683,169)**	**-**	**-**	**(30,683,169)**	**-**	2.70	(22,619,870)	-	-	(22,619,870)	-
- GBP	**2.51**	**(3,387,516)**	**-**	**-**	**(3,387,516)**	**-**	2.99	(7,207,447)	-	-	(7,207,447)	-
		(165,020,576)	**-**	**-**	**(165,020,576)**	**-**		(157,374,547)	-	-	(157,374,547)	-
Other borrowings	**2.09**	**31,748,388**	**26,888,711**	**4,859,677**	**-**	**-**	2.01	(47,255,486)	(36,498,006)	(10,757,480)	-	-
		129,741,289	**127,402,841**	**65,807,866**	**(105,286,729)**	**41,817,311**		68,395,639	10,169,364	56,704,010	(80,412,062)	81,934,327

Notes to the financial statements

20. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.
The analysis below relates to historical loans and receivables, not carried at fair value, which are fully provided for.

Group and Company	2014 USD	2013 USD
Previously impaired assets		
Balance at 1 January	**889,379**	1,839,334
Settled during the year	**-**	(988,659)
Exchange difference	**(105,675)**	38,704
Balance at 31 December	**783,704**	889,379

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.
The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions ;
- requirements for the reconciliation and monitoring of transactions ;
- compliance with regulatory and other legal requirements ;
- documentation of controls and procedures ;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified ;
- requirements for the reporting of operational losses and proposed remedial action ;
- development of contingency plans ;
- training and professional development ;
- ethical and business standards ;
- risk mitigation, including insurance where this is effective.

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, general reserve and retained earnings. The Board of Directors monitors the return on capital, which the Group defines as profit after tax divided by capital, represented by the shareholder's equity.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the year.

Notes to the financial statements

21. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	USD	**USD**	**USD**	**USD**
Less than one year	**399,456**	397,755	**376,376**	376,168
Between one and five years	**760,849**	16,130	**760,849**	16,130
More than five year	**6,691**	-	**6,691**	-
	1,166,996	413,885	**1,143,916**	392,298

22. 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 2014 these totalled USD 25,574,145 (2013: USD 42,353,569) for both the Group and the Company.

23. Related parties

Identity of related parties

The Company has a related party relationship with its subsidiaries, parent and other group entities. The results of these transactions and balances with related parties are disclosed in the various notes to the financial statements together with the relative terms and conditions where applicable. Other than consideration paid for the provision of services under contracts of employment or in their capacity as directors of the Company (disclosed in Note 5) the Company did not have other related party transactions with key management.

Related party balances

Information on amounts due to/by parent and subsidiary companies are set out in notes 13, 14 and 18 to these financial statements.

24. Parent company and parent undertaking of larger group

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

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

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

LONDON FORFAITING

Income statements (unaudited)

Five Year Summary

Group	**2014 USD**	**2013 USD**	**2012 USD**	**2011 USD**	**2010 USD**
Total value of forfaiting assets sold/matured during the year	**353,288,355**	360,678,762	404,617,582	316,720,563	211,357,208
Trading income	**10,346,288**	10,609,613	17,450,388	14,862,146	12,438,017
Administrative expenses	**(5,737,650)**	(4,776,053)	(5,131,634)	(5,036,663)	(4,630,277)
Operating profit before provisions & financing costs	**4,608,638**	**5,833,560**	**12,318,754**	**9,825,483**	**7,807,740**
Movement in provisions	**665,215**	-	-	-	(506,281)
Net Financing expense	**(4,269,650)**	(4,563,642)	(4,234,577)	(3,253,050)	(2,049,853)
Profit before tax	**1,004,203**	**1,269,918**	**8,084,177**	**6,572,433**	**5,251,606**
Income tax	**-**	-	-	-	-
Profit for the year attributable to equity holders of the parent	**1,004,203**	**1,269,918**	**8,084,177**	**6,572,433**	**5,251,606**

LONDON FORFAITING

Statements of financial position (unaudited)

Five Year Summary

Group	**2014** **USD**	**2013** **USD**	**2012** **USD**	**2011** **USD**	**2010** **USD**
Assets					
Plant and equipment	100,714	98,396	196,415	323,195	325,494
Deferred tax assets	6,571,680	6,571,680	6,571,680	6,571,680	6,571,680
Non-current assets	**6,672,394**	**6,670,076**	**6,768,095**	**6,894,875**	**6,897,174**
Forfaiting assets - held for trading	262,856,375	272,831,977	245,061,077	230,286,337	203,566,233
Cash and cash equivalents	184,873	224,659	238,448	758,692	796,462
Trade and other receivables	1,059,688	1,104,013	1,047,077	1,213,513	1,235,896
Current assets	**264,100,936**	**274,160,649**	**246,346,602**	**232,258,542**	**205,598,591**
Total assets	**270,773,330**	**280,830,725**	**253,114,697**	**239,153,417**	**212,495,765**
Equity					
Issued capital	40,000,000	40,000,000	17,500,000	17,500,000	17,500,000
General reserve	-	-	7,782,213	9,760,981	5,417,537
Retained earnings	26,974,628	25,970,425	39,418,294	29,355,349	27,126,360
Total equity attributable to owners of the Company	**66,974,628**	**65,970,425**	**64,700,507**	**56,616,330**	**50,043,897**
Liabilities					
Provisions	-	1,360,910	1,301,685	1,277,262	1,319,081
Non-current liabilities	**-**	**1,360,910**	**1,301,685**	**1,277,262**	**1,319,081**
Bank overdraft	165,020,576	157,374,547	133,716,768	163,169,845	141,495,703
Other Borrowings	31,748,388	47,255,486	42,952,408	8,208,394	12,669,078
Trade and other payables	7,029,738	8,869,357	10,443,329	9,881,586	6,968,006
Current liabilities	**203,798,702**	**213,499,390**	**187,112,505**	**181,259,825**	**161,132,787**
Total liabilities	**203,798,702**	**214,860,300**	**188,414,190**	**182,537,087**	**162,451,868**
Total equity and liabilities	**270,773,330**	**280,830,725**	**253,114,697**	**239,153,417**	**212,495,765**

LONDON FORFAITING

Cashflow statements (unaudited)

Five Year Summary

Group	2014 USD	2013 USD	2012 USD	2011 USD	2010 USD
Cash flows from operating activities					
Proceeds from sales/maturity of forfaiting assets	366,575,437	383,877,015	415,165,931	324,655,035	218,593,777
Purchase of forfaiting assets	(351,840,939)	(407,941,359)	(417,954,073)	(341,421,286)	(286,672,289)
Interest and commission receipts	6,881,446	7,374,852	6,061,523	5,082,871	4,007,451
Interest and commission payments	(4,905,443)	(4,991,207)	(4,799,542)	(3,396,408)	(2,303,404)
Payments to employees and suppliers	(6,929,321)	(5,512,403)	(4,900,989)	(4,737,449)	(3,711,112)
Cash inflow/ outflow before changes in operating assets / liabilities	9,781,180	(27,193,102)	(6,427,150)	(19,817,237)	(70,085,577)
(Increase)/decrease in operating assets					
- Amounts due from ultimate parent	2,699	9,940	186,834	(19,316)	204,721
- Prepayments, accrued income and other debtors	41,626	(66,877)	(20,398)	41,699	7,776,882
Increase/(decrease) in operating liabilities					
Amount due to ultimate parent	(175,447)	151,859	(5,771)	36,894	(38,630)
Other liabilities	(1,790,295)	(882,809)	449,795	2,633,749	(7,944,596)
Net cash used in operating activities before income tax	(1,921,417)	(787,887)	610,460	2,693,026	(1,623)
Income tax paid	-	-	-	-	-
Net cash used in operating activities	**7,859,763**	**(27,980,989)**	**(5,816,690)**	**(17,124,211)**	**(70,087,200)**
Net cash from investing activities	**(38,480)**	**6,343**	**5,509**	**(127,017)**	**(173,255)**
Cash flows from financing activities					
Proceeds from issued prom notes	58,402,123	90,472,827	55,189,467	44,946,798	12,669,078
Repayment of prom notes	(83,300,933)	(63,789,751)	(54,582,931)	(49,407,482)	(2,813,664)
Other financing agreements entered	58,658,813	146,757,480	95,274,957	62,900,000	-
Repayment of financing agreements entered	(49,267,101)	(169,137,478)	(61,137,479)	(62,900,000)	-
Net movement in bank overdraft	7,646,029	23,657,779	(29,453,077)	21,674,142	59,142,335
Net cash used in financing activities	**(7,861,069)**	**27,960,857**	**5,290,937**	**17,213,458**	**68,997,749**
Net (decrease)/ increase in cash and cash equivalents	(39,786)	(13,789)	(520,244)	(37,770)	(1,262,706)
Cash and cash equivalents at beginning of year	224,659	238,448	758,692	796,462	2,059,168
Cash and cash equivalents at end of year	**184,873**	**224,659**	**238,448**	**758,692**	**796,462**