Annual Report 2016

www.forfaiting.com

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

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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 continues to broaden and evolve but these products remain the nucleus 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 House . 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 team of forfaiting professionals, with backgrounds in both banking and industry sectors, coupled with the LFC global network of offices, assures our clients of the highest level of service and ability to structure financing solutions.

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 however evolved into a much broader financing technique used to finance virtually any form of assignable and/or transferrable negotiable instrument. LFC also provides finance through loan facilities.
LFC finances a wide range of imported and exported goods and services including, Commodities, Technology, Consumer & Capital Equipment and even Turn Key Projects. Credit periods range from 60 days up to 10 years.

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

Using forfaiting, an exporter has the ability to offer extended payment terms which will improve the chances of them winning an export contract.

Most exporters prefer to receive cash shortly after shipment, without exposing themselves to the risks and costs associated with providing financing to their overseas clients. Forfaiting allows the exporter to remove the non-payment risk of concluding an export contract encompassing extended payment terms..

By using forfaiting techniques, LFC assists clients selling cross-border to mitigate a range of risks. including commercial, political, transfer, interest and exchange risks.

Forfaiting Assets

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

Strategic Report

Principle activities

London Forfaiting Company Limited ("LFC") and its subsidiaries (collectively known as "Group") provides international trade and other financial services with particular focus on forfaiting and loans, through an international network of offices. LFC's activities include the purchasing of bills of exchange, promissory notes, loans, deferred payment letters of credit and the provision of other financial facilities to companies and banks. The background to these business activities is given on page 1.

Results & Performance

LFC reported a profit of USD 6,481,331 for 2016 (2015: USD 805,664), which represents a seven-fold increase from the previous year. Profitability increased due to higher turnover (defined as the total value of forfaiting assets sold/matured) and higher trading income, despite higher net financing expenses, whilst administrative expenses were fairly static.

The economic environment for the year under review was a combination of excess market liquidity and a slowdown in commodity exports. Economies in the emerging market environment remained challenging as payment delays were experienced through a combination of foreign exchange shortages and credit deterioration. However this volatility also created opportunities that LFC had capitalised on.

Turnover and trading income

LFC's turnover increased by 61% from USD 369,569,684 in 2015 to USD 594,146,860 in 2016, whilst forfaiting assets held for trading increased 7% to USD 379,397,964 (2015: USD 355,063,998), highlighting the increased business volumes experienced in the year under review. Consequently, forfaiting yield increased by 16% to USD 13,928,036 from USD 12,018,640 in 2015.

Although net gains on sale of forfaiting assets held for trading were USD 200,764, down from USD 379,945 in 2015, net fees and commissions income increased significantly (75%) from USD 3,002,141 in 2015 to USD 5,250,906 as a reflection of the higher turnover.

Downward fair valuation of forfaiting assets held for trading and derivative financial instruments was lower at USD (1,942,950) compared to USD (4,964,567) in 2015. The main components of this were legacy assets that were reduced to minimal levels in LFC's forfaiting portfolio held for trading.

Net financing expense

LFC's parent, FIMBank plc., continued to provide funding, through the bank overdraft to support the forfaiting portfolio held for trading; the bank overdraft increased from USD 208,526,277 to USD 217,281,201 in 2016. In addition, LFC obtains external funding facilities (other borrowings) which has also increased from USD 76,832,308 to USD 86,725,869 resulting in a higher level of funding available for new transactions.

As a reflection of market liquidity and the continuing support from our parent FIMBank plc. the margin charged on the bank overdraft was reduced for Euro funding. Although as at the year end, the bank overdraft and other borrowings increased 4% and 13% respectively, the average bank overdraft increased by 52% and other borrowings increased by 72% for the year under review. Consequently, net financing costs increased from USD 3,993,278 to USD 6,028,056, in 2016 as a reflection of this.

Administrative expenses

LFC continually monitors its administrative expenses, which were marginally lower for the year at USD 5,615,095 compared to USD 5,637,217 in 2015.

Deferred Tax Asset

In view of the Company's continued improving profitability, the Directors have again reviewed the value of this deferred tax asset against future income projections. Consequently, the Directors now consider it appropriate to recognise an additional USD 687,726 on the value of this asset, which is reflected in the balance sheet for this year. This revaluation results in a credit of USD 687,726 to the income statement. The deferred tax asset is USD 7,259,406 as at 31 December 2016.

LONDON FORFAITING
COMPANY LTD

Strategic Report (continued)

Directors and Staff

During the year, Mr. Tony Knight and Mr Ian Lucas resigned from the Board with their terminations effected for value 9th February 2016. Furthermore Mr. Simon Lay resigned from the Board as Chairman and Director and was appointed Chief Executive Officer effective 9th May 2016. On the same date, Dr. John Grech was appointed to the Board as Director and Chairman of the Board.
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 18 of the financial statements.

Key Performance Indicators

Throughout the year, the Directors monitor the company's Key Performance Indicators (KPI's). Financial KPI's including Turnover, Trading Income, Portfolio of Forfaiting Assets Held for Trading and Funding are addressed above. 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 2016, LFC had seven joiners and eight leavers (2015: six joiners and five leavers).

Risks, uncertainties and Outlook

Key risks to the business in the coming year are the possible effect on business volumes resulting from the economic uncertainty caused by Brexit, the fiscal and monetary policies from the new US president and the volatility in the price of commodities, coupled with credit and interest rate risk.

LFC's appetite for diverse risks across business sectors and geographies coupled with our global footprint, we will continue to source remunerative transactions notwithstanding difficult market conditions. The forfaiting portfolio held for trading is robust and its risks continually monitored. LFC has considerable experience in managing exposures, in the close monitoring of transactions to ensure performance and use of techniques to mitigate risks. Where LFC's business leads to risks relating to interest rate movements, we use established hedging techniques and derivatives to minimise this exposure. Our funding is secured from our own capital, our proven ability to attract external funding, and we continue to benefit from strong ongoing support and financing from our immediate parent and our ultimate owners.

Lastly, during 2016, LFC was once again acknowledged as the leading forfaiting company, being awarded the "Best Forfaiting Institution" award from Trade and Forfaiting Review magazine and "Best Forfaiting House" by Global Trade Review.

John C. Grech
Chairman
2 February 2017

Simon Lay
Chief Executive Officer

Report of the Directors

The Directors are pleased to present their report and the audited Group and Company financial statements for the year ended 31 December 2016.

Results and dividends

LFC's profit after tax for the year 2016 was USD 6,481,331 (2015: USD 805,664). The Directors do not recommend any proposed dividend (2015: nil).

Key Performance Indicators

The company's Key Performance Indicators (KPI's) are detailed on page 3.

Directors

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

Chairman/ Director – John Grech (appointed 9 May 16)

Chairman / Managing Director - Simon Lay (resigned 9 May 16)

Director - Tony Knight (resigned 9 February 16)

Director - Ian Lucas (resigned 9 February 16)

Director – Mohamed Fekih Ahmed

Director – Majed Essa Al-Ajeel

Director – Robert Frost

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 auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor's is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

Approval

By order of the Board

John C. Grech
Director

2 February 2017
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 2016 set out on pages 9 to 41.

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 6, 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 2016 and of the Group's and parent Company'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 LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

2 February 2017

LONDON FORFAITING COMPANY LTD

Income statements

For the year ended 31 December 2016

	Note	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Memorandum item:					
Total value of forfaiting assets held for trading sold/matured during the year		**594,146,860**	369,569,684	**594,146,860**	369,569,684
Trading Income	4	**17,436,756**	10,436,159	**16,453,319**	9,535,707
Administrative expenses	5	**(5,615,095)**	(5,637,217)	**(4,834,991)**	(4,983,430)
Other operating income	6	**-**	-	**90,730**	95,690
Operating profit before financing costs		**11,821,661**	4,798,942	**11,709,058**	4,647,967
Financial income	7	**631**	2,169	**113,679**	127,254
Financial expenses	7	**(6,028,687)**	(3,995,447)	**(6,031,668)**	(3,974,858)
Net financing expense	7	**(6,028,056)**	(3,993,278)	**(5,917,989)**	(3,847,604)
Profit before tax		**5,793,605**	805,664	**5,791,069**	800,363
Income tax	8	**687,726**	-	**687,726**	-
Profit for the year attributable to equity holders of the parent		**6,481,331**	805,664	**6,478,795**	800,363

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

The notes on pages 14 to 41 are an integral part of these financial statements.

Statements of comprehensive income

For the year ended 31 December 2016

	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Profit for the year	**6,481,331**	805,664	**6,478,795**	800,363
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	**6,481,331**	805,664	**6,478,795**	800,363

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

The notes on pages 14 to 41 are an integral part of these financial statements.

LONDON FORFAITING COMPANY LTD

Statements of financial position

As at 31 December 2016

	Note	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Assets					
Plant and equipment	9	**141,724**	192,896	**113,064**	157,807
Investment in subsidiaries	10	**-**	-	**33,699**	61,030
Deferred tax assets	11	**7,259,406**	6,571,680	**7,259,406**	6,571,680
Non-current assets		**7,401,130**	6,764,576	**7,406,169**	6,790,517
Forfaiting assets – held for trading	18	**379,397,964**	355,063,998	**379,397,964**	355,063,998
Cash and cash equivalents	13	**184,625**	165,399	**154,850**	120,805
Trade and other receivables	12	**1,345,979**	1,060,588	**1,290,686**	1,012,947
Current assets		**380,928,568**	356,289,985	**380,843,500**	356,197,750
Total assets		**388,329,698**	363,054,561	**388,249,669**	362,988,267
Equity					
Issued capital	15	**40,000,000**	40,000,000	**40,000,000**	40,000,000
Retained earnings		**34,261,623**	27,780,292	**34,251,612**	27,772,817
Total equity attributable to owners of the Company		**74,261,623**	67,780,292	**74,251,612**	67,772,817
Liabilities					
Bank overdraft	13	**217,281,201**	208,526,277	**217,281,201**	208,526,277
Other borrowings	14	**86,725,869**	76,832,308	**86,725,869**	76,832,308
Trade and other payables	16	**10,061,005**	9,915,684	**9,990,987**	9,856,865
Total liabilities		**314,068,075**	295,274,269	**313,998,057**	295,215,450
Total equity and liabilities		**388,329,698**	363,054,561	**388,249,669**	362,988,267

The notes on pages 14 to 41 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 2 February 2017 and were signed on its behalf by:

John C. Grech
Director

Registered Number 1733470

Statements of changes in equity

Group	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2015	40,000,000	26,974,628	66,974,628
Total comprehensive income for the year	-	805,664	805,664
Transactions with owners of the company			
Contributions and distributions			
Total contributions and distributions	-	-	-
Total transactions with owners of the company	-	-	-
Balance at 31 December 2015	40,000,000	27,780,292	67,780,292
Balance at 1 January 2016	**40,000,000**	**27,780,292**	**67,780,292**
Total comprehensive income for the year	**-**	**6,481,331**	**6,481,331**
Transactions with owners of the company			
Contributions and distributions			
Total contributions and distributions	**-**	**-**	**-**
Total transactions with owners of the company	**-**	**-**	**-**
Balance at 31 December 2016	**40,000,000**	**34,261,623**	**74,261,623**

Company	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2015	40,000,000	26,972,454	66,972,454
Total comprehensive income for the year	-	800,363	800,363
Transactions with owners of the company			
Contributions and distributions			
Total contributions and distributions	-	-	-
Total transactions with owners of the company	-	-	-
Balance at 31 December 2015	40,000,000	27,772,817	67,772,817
Balance at 1 January 2016	**40,000,000**	**27,772,817**	**67,772,817**
Total comprehensive income for the year	**-**	**6,478,795**	**6,478,795**
Transactions with owners of the company			
Contributions and distributions			
Total contributions and distributions	**-**	**-**	**-**
Total transactions with owners of the company	**-**	**-**	**-**
Balance at 31 December 2016	**40,000,000**	**34,251,612**	**74,251,612**

The notes on pages 14 to 41 are an integral part of these financial statements.

Statements of cash flows

For the year ended 31 December 2016

	Note	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Cash flows from operating activities					
Proceeds from sale /maturity of forfaiting assets held for trading		**608,191,331**	379,589,607	**608,191,331**	379,589,607
Purchase of forfaiting assets held for trading		**(620,339,449)**	(464,363,211)	**(620,339,449)**	(464,363,211)
Interest and commissions receipts		**7,966,840**	3,936,963	**8,079,888**	4,062,049
Interest and commissions payments		**(8,671,923)**	(4,799,070)	**(9,655,360)**	(5,699,522)
Payment to employees and suppliers		**(5,493,630)**	(5,712,989)	**(4,736,076)**	(5,037,650)
Cash (outflow)/ inflow before changes in operating assets/liabilities		**(18,346,831)**	(91,348,700)	**(18,459,666)**	(91,448,727)
(Increase) / decrease in operating assets:					
Amounts due from parent		**(8,393)**	12,957	**(8,392)**	12,957
Prepayments, accrued income and other debtors		**(276,998)**	(13,857)	**(269,346)**	(49,635)
Increase / (decrease) in operating liabilities:					
Amounts due to parent		**(60,713)**	74,972	**(60,713)**	74,972
Other liabilities		**72,949**	2,807,568	**72,949**	2,807,568
Net cash from/ (used in) operating activities before income tax		**(273,155)**	2,881,640	**(265,502)**	2,845,862
Tax paid		**-**	-	**-**	-
Net cash used in operating activities		**(18,619,986)**	(88,467,060)	**(18,725,168)**	(88,602,865)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(11,622)**	(142,203)	**(9,682)**	(131,920)
Proceeds from disposal of plant and equipment		**2,349**	168	**2,349**	168
Repayment from subsidiaries		**-**	-	**118,061**	108,699
Net cash from investing activities		**(9,273)**	(142,035)	**110,728**	(23,053)
Cash flows from financing activities					
Proceeds from the issue of promissory notes		**31,081,579**	70,230,339	**31,081,579**	70,230,339
Repayment of issued promissory notes		**(48,502,465)**	(55,182,780)	**(48,502,465)**	(55,182,780)
Proceeds from money market loan agreements entered		**-**	2,185,553	**-**	2,185,553
Repayment of money market loan agreements		**(2,185,553)**	(4,859,677)	**(2,185,553)**	(4,859,677)
Proceeds from repo financing agreements entered		**47,500,000**	105,224,950	**47,500,000**	105,224,950
Repayment of repo financing agreements		**(18,000,000)**	(72,514,465)	**(18,000,000)**	(72,514,465)
Proceeds from bank overdraft		**8,754,924**	43,505,701	**8,754,924**	43,505,701
Dividends paid		**-**	-	**-**	-
Net cash from financing activities		**18,648,485**	88,589,621	**18,648,485**	88,589,621
Net (decrease) in cash and cash equivalents		**19,226**	(19,474)	**34,045**	(36,297)
Cash and cash equivalents at 1 January		**165,399**	184,873	**120,805**	157,102
Cash and cash equivalents at 31 December	**13**	**184,625**	165,399	**154,850**	120,805

The notes on pages 14 to 41 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 2016 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 1.

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 3.

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 2 February 2017.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 11 and 18.

Notes to the financial statements (continued)

3. Significant accounting policies

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

(a) Basis of consolidation

(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 (continued)

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 (continued)

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 (continued)

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.

(s) Forfaiting assets write off

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(t) 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 2016, 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

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.
The actual impact of adopting IFRS 9 on the Company's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

The Company will start the process of evaluating the impact of this new standard over the next 12 months.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases: – 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and – lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

– the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in the Other Comprehensive Income statement; and
– the remaining amount of change in the fair value is presented in profit or loss.

Notes to the financial statements (continued)

4. Trading income

	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Net gain on financial instruments held for trading:				
Forfaiting yield	**13,928,036**	12,018,640	**13,928,036**	12,018,640
Net gains on sale of forfaiting assets held for trading	**200,764**	379,945	**200,764**	379,945
Fair valuation of forfaiting assets held for trading and derivative financial instruments	**(1,942,950)**	(4,964,567)	**(1,942,950)**	(4,964,567)
	12,185,850	7,434,018	**12,185,850**	7,434,018
Fees and commissions income	**7,966,210**	3,934,794	**7,966,210**	3,934,794
Fees and commissions expenses	**(2,715,304)**	(932,653)	**(3,698,741)**	(1,833,105)
	17,436,756	10,436,159	**16,453,319**	9,535,707

Included within the Company's fees and commissions expense is an amount of USD 983,639 (2015: USD 899,478) payable to subsidiaries for marketing services.

5. Administrative expenses

	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Staff cost				
wages, salaries and allowances	**3,887,908**	3,824,368	**3,373,278**	3,373,675
social security cost	**411,946**	405,773	**378,529**	383,455
other pension cost	**159,529**	161,884	**144,755**	149,020
Operating lease expenses	**465,851**	525,928	**346,481**	443,059
Auditor's remuneration:				
Audit of these financial statements	**68,753**	78,290	**68,753**	78,290
Amount receivable by auditors and their associates in respect of services to subsidiaries:				
review of interim information	**55,249**	66,730	**55,249**	66,730
audit of financial statements of subsidiaries	**6,139**	7,410	**6,139**	7,410
other services relating to taxation	**25,696**	27,066	**25,696**	27,066
Other professional fees	**262,604**	373,696	**240,442**	364,917
Management fees recharged to parent	**(519,800)**	(579,997)	**(519,800)**	(579,997)
Other administrative expenses	**791,220**	746,069	**715,469**	669,805
	5,615,095	5,637,217	**4,834,991**	4,983,430

Average number of employees (including Directors) during the year:	Group 2016	Group 2015	Company 2016	Company 2015
- forfaiting and loan officers	**15**	17	**12**	13
- other staff	**22**	20	**19**	19
	37	37	**31**	32

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

Notes to the financial statements (continued)

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Directors Emoluments	**80,041**	852,138	**80,041**	852,138
Money purchase pension contributions	**4,204**	41,264	**4,204**	41,264
Social costs borne by the Company	**6,837**	98,997	**6,837**	98,997
	91,082	992,399	**91,082**	992,399

The aggregate of emoluments and amounts receivable for the highest paid Director is USD 29,642 (2015: USD 385,793). Other Directors holding office at the end of the financial year were remunerated by the ultimate parent company, FIMBank plc.

6. Other operating income

	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Reversal of impairment on loan to subsidiary	**-**	-	**118,061**	108,699
Impairment on investment in subsidiary	**-**	-	**(27,331)**	(13,009)
	-	-	**90,730**	95,690

The reversal of impairment on loan to subsidiary for USD 118,061 (2015: USD 108,699) relates to a loan previously given/provided by LFC to its subsidiary. The loan has been fully impaired previously and has a fair value of nil as at 31 December 2016 (2015: nil).

7. Net financing costs

	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Interest income				
Receivable from subsidiaries	**-**	-	**113,610**	126,961
Other	**631**	2,169	**69**	293
Financial income	**631**	2,169	**113,679**	127,254
Interest expense				
Payable to parent	**(3,818,335)**	(2,830,176)	**(3,818,335)**	(2,830,176)
Payable to third parties	**(2,138,283)**	(1,036,241)	**(2,138,283)**	(1,036,241)
Net exchange losses	**(72,069)**	(129,030)	**(75,050)**	(108,441)
Financial expenses	**(6,028,687)**	(3,995,447)	**(6,031,668)**	(3,974,858)
Net financing expenses	**(6,028,056)**	(3,993,278)	**(5,917,989)**	(3,847,604)

Notes to the financial statements (continued)

8. Income tax

	Group		Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Current tax				
Tax for non-current year				
Non-current	-	-	-	-
Deferred tax				
Benefit of tax losses recognised	(687,726)	-	(687,726)	-
Income tax (credit)	(687,726)	-	(687,726)	-

Reconciliation of effective tax rate

	Group		Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Profit before tax	5,793,605	805,664	5,791,069	800,363
Tax using the UK Corporation tax rate of 20% (2015: 20.25%)	1,158,721	163,147	1,158,214	162,074
Effects of:				
Expenses/(income) disregarded for tax purposes	1,982	3,669	(16,588)	(16,238)
Depreciation in excess of capital allowances	11,619	10,095	9,946	8,592
Utilisation of tax losses brought forward	(1,172,322)	(176,911)	(1,151,572)	(154,428)
Recognition of previously unrecognised tax losses	(687,726)	-	(687,726)	-
Income tax (credit)	(687,726)	-	(687,726)	-

Notes to the financial statements (continued)

9. Plant and equipment

Group

	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost			
Balance at 1 January 2015	707,123	137,721	844,844
Additions	142,203	-	142,203
Disposals	(227)	-	(227)
Balance at 31 December 2015	849,099	137,721	986,820
Balance at 1 January 2016	**849,099**	**137,721**	**986,820**
Additions	**11,622**	**-**	**11,622**
Disposals	**(132,762)**	**-**	**(132,762)**
Balance at 31 December 2016	**727,959**	**137,721**	**865,680**
Depreciation			
Balance at 1 January 2015	642,483	101,647	744,130
Depreciation charge for the year	38,252	11,601	49,853
Disposals	(59)	-	(59)
Balance at 31 December 2015	680,676	113,248	793,924
Balance at 1 January 2016	**680,676**	**113,248**	**793,924**
Depreciation charge for the year	**56,895**	**3,550**	**60,445**
Disposals	**(130,413)**	**-**	**(130,413)**
Balance at 31 December 2016	**607,158**	**116,798**	**723,956**
Carrying amounts			
At 1 January 2015	64,640	36,074	100,714
At 31 December 2015	168,423	24,473	192,896
At 1 January 2016	**168,423**	**24,473**	**192,896**
At 31 December 2016	**120,801**	**20,923**	**141,724**

Notes to the financial statements (continued)

9. Plant and equipment (continued)

Company

	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost	620,010	95,080	715,090
Balance at 1 January 2015	131,920	-	131,920
Additions	(227)	-	(227)
Balance at 31 December 2015	751,703	95,080	846,783
Balance at 1 January 2016	**751,703**	**95,080**	**846,783**
Additions	**9,682**	**-**	**9,682**
Disposals	**(132,762)**	**-**	**(132,762)**
Balance at 31 December 2016	**628,623**	**95,080**	**723,703**
Depreciation	558,422	88,181	646,603
Balance at 1 January 2015	36,063	6,369	42,432
Depreciation charge for the year	(59)	-	(59)
Balance at 31 December 2015	594,426	94,550	688,976
Balance at 1 January 2016	**594,426**	**94,550**	**688,976**
Depreciation charge for the year	**51,546**	**530**	**52,076**
Disposals	**(130,413)**	**-**	**(130,413)**
Balance at 31 December 2016	**515,559**	**95,080**	**610,639**
Carrying amounts			
At 1 January 2015	61,588	6,899	68,487
At 31 December 2015	157,277	530	157,807
At 1 January 2016	**157,277**	**530**	**157,807**
At 31 December 2016	**113,064**	**-**	**113,064**

Notes to the financial statements (continued)

10. Investments in subsidiaries

Company

	2016 USD	2015 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	**47,649,261**	47,636,252
Impairment	**27,331**	13,009
Balances at 31 December	**47,676,592**	47,649,261
Net investment	**33,699**	61,030

The Group and Company have the following investments in subsidiaries:

	Nature of business	Country of incorporation	Issued ordinary share capital	Ownership interest 2016	2015
London Forfaiting International Limited	Holding company	Great Britain	USD 1,000	**100%**	100%
London Forfaiting Americas Inc.*	Marketing	United States of America	USD 250,000	**100%**	100%
London Forfaiting do Brasil Ltda.*	Marketing	Brazil	BRL 4,045,656	**100%**	100%

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

Notes to the financial statements (continued)

11. Deferred tax assets
Group and Company

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Tax value of loss carry-forwards				
Recognised	**7,259,406**	6,571,680	**7,259,406**	6,571,680

	Group		Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Deferred tax asset brought forward	**6,571,680**	6,571,680	**6,571,680**	6,571,680
Utilised	**(1,172,322)**	(176,911)	**(1,151,572)**	(154,428)
Recognition of previously unrecognised tax losses	**1,860,048**	176,911	**1,839,298**	154,428
Balance at 31 December	**7,259,406**	6,571,680	**7,259,406**	6,571,680

Recognition of the above deferred tax assets is based on management's five year profit forecasts (2015: five years). It is based on available evidence, including historical levels of profitabilty 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	
	2016	2015	2016	2015
	USD	USD	USD	USD
Tax losses	**16,941,518**	28,090,825	**3,049,473**	5,056,348

Company	Gross amount		Tax value	
	2016	2015	2016	2015
	USD	USD	USD	USD
Tax losses	**11,484,621**	21,041,330	**2,067,232**	3,787,439

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.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and to 17% (effective 1 April 2020) was enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2016.

Notes to the financial statements (continued)

12. Trade and other receivables

	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Amounts due from parent	**485,630**	477,237	**485,630**	477,237
Pre-payments and accrued income	**471,184**	474,188	**434,951**	437,852
Other debtors	**389,165**	109,163	**370,105**	97,858
	1,345,979	1,060,588	**1,290,686**	1,012,947

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

13. Cash and cash equivalents

	Group 2016 USD	Group 2015 USD	Company 2016 USD	Company 2015 USD
Cash at banks	**159,832**	150,479	**130,061**	105,890
Cash in hand	**24,793**	14,920	**24,789**	14,915
Cash at banks and in hand	**184,625**	165,399	**154,850**	120,805

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 300 million (2015: USD 300 million) and expires on 31 March 2018. This facility is made available in USD, GBP, EUR, JPY and AED and is unsecured.

14. Other borrowings
Group and Company

	2016 USD	2015 USD
Issued promissory notes	**8,225,869**	25,646,755
Money market loans	**-**	2,185,553
Repos	**78,500,000**	49,000,000
Other borrowings	**86,725,869**	76,832,308

	Carrying amount of transferred liabilities 2016 USD	Carrying amount of transferred assets 2016 USD	Carrying amount of transferred liabilities 2015 USD	Carrying amount of transferred assets 2015 USD
Repos	**78,500,000**	**87,289,474**	49,000,000	54,005,146

The assets transferred under the repurchase agreement are forfaiting assets held for trading with market value of USD 87,289,474 (2015: USD 54,005,146) which have been pledged as collateral under repurchase agreement entered by the Company.

Notes to the financial statements (continued)

15. Share capital

In thousands of shares	Ordinary shares 2016	2015
In issue at 1 January and 31 December – fully paid	**40,000**	40,000

At 31 December 2016, the paid share capital comprised of 40,000,000 (2015: 40,000,000) ordinary shares of USD 1 each.

16. Trade and other payables

		Group		Company
	2016 USD	2015 USD	2016 USD	2015 USD
Amounts due to parent	**397,327**	458,040	**397,327**	458,040
Accruals and deferred income	**9,663,678**	9,457,644	**9,593,660**	9,398,825
	10,061,005	9,915,684	**9,990,987**	9,856,865

Included in accruals and deferred income is USD 1.09m (2015: USD 0.99m) of fees received on trades entered into where the company has a continued involvement. Continued involvement includes periodic reviews in which additional charges may be incurred and amounts may be repaid. 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 2016, 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 (continued)

17. Fair values of financial instruments

Fair values

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

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

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

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

Forfaiting assets held for trading

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

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

Notes to the financial statements (continued)

17. Fair values of financial instruments - continued

Interest rate future contracts

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

Interest rates used for determining fair value

The Group and Company use the LIBOR yield curve as of 31 December 2016 plus an adequate credit margin spread to discount forfaiting assets held for trading. The interest rates used are as follows:

	2016	2015
Forfaiting assets held for trading	**0.54% - 9.81%**	0.42% - 9.00%

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

	2016 USD	2015 USD
Balance at 1 January	**355,063,998**	262,856,375
Purchases	**632,414,798**	450,292,973
Settlements	**(594,146,860)**	(369,569,684)
Fair valuation adjustments	**(1,942,950)**	(2,093,015)
Movement in accrued interest	**116,435**	858,425
Exchange differences	**(1,769,784)**	(4,733,307)
Overdue now settled	**(9,382,940)**	-
Matured but not settled during the year	**4,045,267**	20,309,374
Asset written off	**(5,000,000)**	(2,857,143)
Balance at 31 December	**379,397,964**	355,063,998

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Notes to the financial statements (continued)

17. Fair values of financial instruments – continued

Financial instruments not measured at fair value

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

Group	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2016	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	**-**	**184,625**	**-**	**184,625**	**184,625**
Trade and other receivables	**-**	**1,345,979**	**-**	**1,345,979**	**1,345,979**
Liabilities					
Bank overdraft	**-**	**217,281,201**	**-**	**217,281,201**	**217,281,201**
Other borrowings	**-**	**86,725,869**	**-**	**86,725,869**	**86,725,869**
Trade and other payables	**-**	**10,061,005**	**-**	**10,061,005**	**10,061,005**
2015	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	-	165,399	-	165,399	165,399
Trade and other receivables	-	1,060,588	-	1,060,588	1,060,588
Liabilities					
Bank overdraft	-	208,526,277	-	208,526,277	208,526,277
Other borrowings	-	76,832,308	-	76,832,308	76,832,308
Trade and other payables	-	9,915,684	-	9,915,684	9,915,684

Company	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2016	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	**-**	**154,850**	**-**	**154,850**	**154,850**
Trade and other receivables	**-**	**1,290,686**	**-**	**1,290,686**	**1,290,686**
Liabilities					
Bank overdraft	**-**	**217,281,201**	**-**	**217,281,201**	**217,281,201**
Other borrowings	**-**	**86,725,869**	**-**	**86,725,869**	**86,725,869**
Trade and other payables	**-**	**9,990,987**	**-**	**9,990,987**	**9,990,987**
2015	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	-	120,805	-	120,805	120,805
Trade and other receivables	-	1,012,947	-	1,012,947	1,012,947
Liabilities					
Bank overdraft	-	208,526,277	-	208,526,277	208,526,277
Other borrowings	-	76,832,308	-	76,832,308	76,832,308
Trade and other payables	-	9,856,865	-	9,856,865	9,856,865

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

Notes to the financial statements (continued)

18. Financial instruments

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

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

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 (continued)

18. Financial instruments (continued)

Market risk

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

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

Market risk – Price risk

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

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

Forfaiting assets held for trading

Region	**2016 USD**	**2015 USD**
Africa & Middle East	**67,934,351**	136,215,937
Americas	**94,136,878**	35,294,740
Asia	**31,835,941**	43,050,645
Central and Eastern Europe	**17,237,463**	41,030,218
Rest of Europe	**168,253,331**	99,472,458
	379,397,964	355,063,998

Counterparty type	**2016 USD**	**2015 USD**
Banks	**220,590,367**	153,387,267
Corporates	**143,952,776**	148,437,535
Sovereign	**14,854,821**	53,239,196
	379,397,964	355,063,998

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Notes to the financial statements (continued)

18. Financial instruments (continued)

Market risk – Currency risk

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

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

Group	**2016**					**2015**				
	USD	**Euro**	**Sterling**	**Other**	**Total**	**USD**	**Euro**	**Sterling**	**Other**	**Total**
Assets		**USD**	**USD**	**USD**	**USD**		**USD**	**USD**	**USD**	**USD**
- Forfaiting assets held for trading	**225,438,885**	**145,615,794**	**8,343,285**	**-**	**379,397,964**	258,296,032	70,437,801	15,698,980	10,631,185	355,063,998
- Cash and cash equivalents	**45,083**	**11,295**	**104,859**	**23,388**	**184,625**	62,594	6,993	53,637	42,175	165,399
- Trade and other receivables	**1,250,915**	**43,265**	**36,697**	**15,102**	**1,345,979**	963,438	3,039	85,121	8,990	1,060,588
Total Assets	**226,734,883**	**145,670,354**	**8,484,841**	**38,490**	**380,928,568**	259,322,064	70,447,833	15,837,738	10,682,350	356,289,985
Liabilities										
- Bank overdraft	**70,467,486**	**138,370,811**	**8,398,109**	**44,795**	**217,281,201**	127,679,925	54,631,047	15,762,028	10,453,277	208,526,277
- Other borrowings	**81,479,107**	**5,246,762**	**-**	**-**	**86,725,869**	61,879,205	14,953,103	-	-	76,832,308
- Trade and other payables	**7,648,865**	**1,841,054**	**545,083**	**26,003**	**10,061,005**	7,779,113	1,198,758	705,159	232,654	9,915,684
Total liabilities	**159,595,458**	**145,458,627**	**8,943,192**	**70,798**	**314,068,075**	197,338,243	70,782,908	16,467,187	10,685,931	295,274,269

Company	**2016**					**2015**				
	USD	**Euro**	**Sterling**	**Other**	**Total**	**USD**	**Euro**	**Sterling**	**Other**	**Total**
Assets		**USD**	**USD**	**USD**	**USD**		**USD**	**USD**	**USD**	**USD**
- Forfaiting assets held for trading	**225,438,885**	**145,615,794**	**8,343,285**	**-**	**379,397,964**	258,296,032	70,437,801	15,698,980	10,631,185	355,063,998
- Cash and cash equivalents	**38,695**	**11,295**	**104,860**	**-**	**154,850**	60,175	6,993	53,637	-	120,805
- Trade and other receivables	**1,210,724**	**43,265**	**36,697**	**-**	**1,290,686**	924,787	3,039	85,121	-	1,012,947
Total Assets	**226,688,304**	**145,670,354**	**8,484,842**	**-**	**380,843,500**	259,280,994	70,447,833	15,837,738	10,631,185	356,197,750
Liabilities										
- Bank overdraft	**70,467,486**	**138,370,811**	**8,398,109**	**44,795**	**217,281,201**	127,679,925	54,631,047	15,762,028	10,453,277	208,526,277
- Other borrowings	**81,479,107**	**5,246,762**	**-**	**-**	**86,725,869**	61,879,205	14,953,103	-	-	76,832,308
- Trade and other payables	**7,604,850**	**1,841,054**	**545,083**	**-**	**9,990,987**	7,734,710	1,198,757	705,159	218,239	9,856,865
Total liabilities	**159,551,443**	**145,458,627**	**8,943,192**	**44,795**	**313,998,057**	197,293,840	70,782,907	16,467,187	10,671,516	295,215,450

Notes to the financial statements (continued)

18. Financial instruments (continued)

Market risk - Currency risk (continued)

A 10 percent strengthening of the US Dollar against the other currencies as at 31 December 2016 would have increased equity and the profit by USD 20,569 (2015: USD 84,343 profit). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2015. 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 2016 was a profit of USD 38,134 (2015: USD 14,409 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 twelve months. The effect of an estimated general increase of one percentage point in interest rate on trading assets with an average life of more than six months as at 31 December 2016 would reduce the Group and Company's profit before tax by approximately USD 388,913 (2015: USD 432,410).

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 300 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.

Notes to the financial statements (continued)

18. Financial instruments (continued)

Liquidity risk (continued)

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

Group	**Total USD**	**Total Undiscounted Contractual Cashflows USD**	**6 months or less USD**	**6-12 Months USD**	**1-2 Years USD**	**2-5 Years USD**	**Over 5 Years USD**
2016							
Bank overdraft	**217,281,201**	**222,658,911**	**-**	**4,302,168**	**218,356,743**	**-**	**-**
Other borrowings	**86,725,869**	**88,775,917**	**22,274,516**	**66,501,401**	**-**	**-**	**-**
Amounts due to parent	**397,327**	**397,327**	**397,327**	**-**	**-**	**-**	**-**
Accruals & deferred income	**9,663,678**	**9,663,678**	**2,925,546**	**3,461,514**	**1,827,117**	**1,406,630**	**42,871**
Total	**314,068,075**	**321,495,833**	**25,597,389**	**74,265,083**	**220,183,860**	**1,406,630**	**42,871**
2015							
Bank overdraft	208,526,277	213,765,500	-	4,191,378	209,574,122	-	-
Other borrowings	76,832,308	79,291,683	35,309,673	2,974,134	41,007,876	-	-
Amounts due to parent	458,040	458,040	458,040	-	-	-	-
Accruals & deferred income	9,457,644	9,457,646	2,916,593	3,948,709	1,154,165	1,438,179	-
Total	295,274,269	302,972,869	38,684,306	11,114,221	251,736,163	1,438,179	-

The amount of USD 217,281,201 on the Bank Overdraft is repayable on demand (2015:USD 208,526,277).

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**	**2-5 Years USD**
2016							
Bank overdraft	**217,281,201**	**222,658,911**	**-**	**4,302,168**	**218,356,743**	**-**	**-**
Other borrowings	**86,725,869**	**88,775,917**	**22,274,516**	**66,501,401**	**-**		**-**
Amounts due to parent	**397,327**	**397,327**	**397,327**	**-**	**-**	**-**	**-**
Accruals & deferred income	**9,593,660**	**9,593,660**	**2,915,781**	**3,401,261**	**1,827,117**	**1,406,630**	**42,871**
Total	**313,998,057**	**321,425,815**	**25,587,624**	**74,204,830**	**220,183,860**	**1,406,630**	**42,871**
2015							
Bank overdraft	208,526,277	213,765,500	-	4,191,378	209,574,122	-	-
Other borrowings	76,832,308	79,291,683	35,309,673	2,974,134	41,007,876	-	-
Amounts due to parent	458,040	458,040	458,040	-	-	-	-
Accruals & deferred income	9,398,825	9,398,827	2,915,165	3,891,318	1,154,165	1,438,179	-
Total	295,215,450	302,914,050	38,682,878	11,056,830	251,736,163	1,438,179	-

The amount of USD 217,281,201 on the Bank Overdraft is repayable on demand (2015:USD 208,526,277).

Notes to the financial statements (continued)

18. Financial instruments (continued)

Effective interest rates and repricing analysis – Group

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

	2016							2015						
	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Forfaiting assets held for trading		USD	USD	USD	USD	USD	USD		USD	USD	USD	USD	USD	USD
- USD fixed rate	5.43	82,598,496	56,251,426	19,964,877	3,214,204	3,167,989	-	5.81	95,618,084	48,146,809	26,937,171	13,973,334	6,560,770	-
- Euro fixed rate	4.93	24,419,330	2,325,802	7,733,254	13,777,902	582,372	-	3.94	9,590,599	4,363,420	5,227,179	-	-	-
- GBP fixed rate	4.06	8,343,285	5,845,224	1,833,141	116,402	548,518	-	4.54	15,698,980	11,429,311	-	4,269,669	-	-
- USD floating rate	4.80	142,840,388	67,049,116	27,113,752	15,793,301	29,898,844	2,985,375	5.34	162,677,947	47,431,379	47,558,685	37,685,704	30,002,179	-
- Euro floating rate	3.06	121,196,465	34,833,985	73,205,581	10,538,187	-	2,618,712	3.87	60,847,203	8,755,813	43,099,428	6,255,315	2,736,647	-
- AED floating rate	-	-	-	-	-	-	-	3.71	10,631,185	10,631,185	-	-	-	-
		379,397,964	166,305,553	129,850,605	43,439,996	34,197,723	5,604,087		355,063,998	130,757,917	122,822,463	62,184,022	39,299,596	-
Cash and cash equivalents														
-Cash at Bank	-	159,832	159,832	-	-	-		-	150,479	150,479	-	-	-	-
- Cash in hand	-	24,793	24,793	-	-	-	-	-	14,920	14,920	-	-	-	-
		184,625	184,625	-	-	-	-		165,399	165,399	-	-	-	-
Bank overdraft														
- USD	2.27	(70,467,486)	-	-	(70,467,486)	-	-	1.92	(127,679,925)	-	-	(127,679,925)	-	-
- EUR	1.04	(138,370,811)	-	-	(138,370,811)	-	-	1.29	(54,631,047)	-	-	(54,631,047)	-	-
- GBP	1.76	(8,398,109)	-	-	(8,398,109)	-	-	2.01	(15,762,028)	-	-	(15,762,028)	-	-
- AED	2.27	(44,795)	-	-	(44,795)	-	-	1.92	(10,453,277)	-	-	(10,453,277)	-	-
		(217,281,201)	-	-	(217,281,201)	-	-		(208,526,277)	-	-	(208,526,277)	-	-
Other Borrowings	2.70	86,725,869	21,725,869	65,000,000	-	-	-	2.46	(76,832,308)	(34,646,755)	(2,185,553)	(40,000,000)	-	-
Total		249,027,257	188,216,047	194,850,605	(173,841,205)	34,197,723	5,604,087		69,870,812	96,276,561	120,636,910	(186,342,255)	39,299,596	-

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Notes to the financial statements (continued)

18. Financial instruments (continued)

Effective interest rates and repricing analysis – Company

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

	2016							2015						
	Effective interest rate	Total	6months or less	6-12 months	1-2 years	2-5 years	Over 5 years	Effective interest rate	Total	6months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Forfaiting assets held for trading		USD	USD	USD	USD	USD			USD	USD	USD	USD	USD	
- USD fixed rate	5.43	82,598,496	56,251,426	19,964,877	3,214,204	3,167,989	-	5.81	95,618,084	48,146,809	26,937,171	13,973,334	6,560770	-
- Euro fixed rate	4.93	24,419,330	2,325,802	7,733,254	13,777,902	582,372	-	3.94	9,590,599	4,363,420	5,227,179	-	-	-
- GBP fixed rate	4.06	8,343,285	5,845,224	1,833,141	116,402	548,518	-	4.54	15,698,980	11,429,311	-	4,269,669	-	-
- USD floating rate	4.80	142,840,388	67,049,116	27,113,752	15,793,301	29,898,844	2,985,375	5.34	162,677,947	47,431,379	47,558,685	37,685,704	30,002,179	-
- Euro floating rate	3.06	121,196,465	34,833,985	73,205,581	10,538,187	-	2,618,712	3.87	60,847,203	8,755,813	43,099,428	6,255,315	2,736,647	-
- AED floating rate	-	-	-	-	-	-	-	3.71	10,631,185	10,631,185	-	-	-	-
		379,397,964	166,305,553	129,850,605	43,439,996	34,197,723	5,604,087		355,063,998	130,757,917	122,822,463	62,184,022	39,299,596	-
Cash and cash equivalents														
- Cash at Bank	-	130,061	130,061	-	-	-	-	-	105,890	105,890	-	-	-	-
- Cash in hand	-	24,789	24,789	-	-	-	-	-	14,915	14,915	-	-	-	-
		154,850	154,850	-	-	-	-		120,805	120,805	-	-	-	-
Bank overdraft														
- USD	2.27	(70,467,486)	-	-	(70,467,486)	-	-	1.92	(127,679,925)	-	-	(127,679,925)	-	-
- EUR	1.04	(138,370,811)	-	-	(138,370,811)	-	-	1.29	(54,631,047)	-	-	(54,631,047)	-	-
- GBP	1.76	(8,398,109)	-	-	(8,398,109)	-	-	2.01	(15,762,028)	-	-	(15,762,028)	-	-
- AED	2.27	(44,795)	-	-	(44,795)	-	-	1.92	(10,453,277)	-	-	(10,453,277)	-	-
		(217,281,201)	-	-	(217,281,201)	-	-		(208,526,277)	-	-	(208,526,277)	-	-
Other borrowings	2.70	86,725,869	21,725,869	65,000,000	-	-	-	2.46	(76,832,308)	(34,646,755)	(2,185,553)	(40,000,000)	-	-
Total		248,997,482	188,186,272	194,850,605	(173,841,205)	34,197,723	5,604,087		69,826,218	96,231,967	120,636,910	(186,342,255)	39,299,596	-

Notes to the financial statements (continued)

18. Financial instruments (continued)

Credit risk

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

Group and Company

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

	Gross Value 2016 USD	Fair Value 2016 USD	Gross Value 2015 USD	Fair Value 2015 USD
Not past due	**372,674,046**	**371,931,121**	350,244,226	349,109,744
Past due [0-30 days]	**-**	**-**	1,868,102	1,829,254
Past due [31-120 days]	**4,040,767**	**4,016,536**	-	-
More than 120 days	**19,212,564**	**3,450,306**	22,500,000	4,125,000
Total	**395,927,377**	**379,397,963**	374,612,328	355,063,998

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

	2016 USD	2015 USD
Balance at 1 January	**(19,548,330)**	(17,455,315)
Downward fair valuation	**(2,465,086)**	(5,105,510)
Upward fair valuation	**484,003**	441,066
Amounts reversed from written off assets	**5,000,000**	2,571,429
Balance at 31 December	**(16,529,413)**	(19,548,330)

The analysis below relates to historical loans and receivables, not carried at fair value, which are fully provided for.

Group and Company	2016 USD	2015 USD
Balance at 1 January	-	783,704
Assets written off	-	(783,704)
Exchange difference	-	-
Balance at 31 December	-	-

Notes to the financial statements (continued)

18. Financial instruments (continued)

Operational risks

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

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 (continued)

19. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	USD	**USD**	**USD**	**USD**
Less than one year	**336,418**	405,007	**241,618**	310,207
Between one and five years	**538,561**	895,643	**301,691**	563,713
More than five year	**-**	-	**-**	-
	874,979	1,300,650	**543,309**	873,920

During the year, USD 465,851 was recognised as an expense in LFC Group's income statement in respect of operating leases (2015: USD 525,928). Similarly, USD 346,481 was recognised in the LFC Company's income statement in 2016 in respect of operating leases (2015: USD 443,059).

20. Commitments and contingencies

As part of its normal trade finance activity, the Group has entered into various confirmed credits and commitments, both of which are contingent upon the fulfilment of documentary conditions on the part of its customers. As at 31 December 2016 these totalled USD 81,958,973 (2015: USD 44,698,225) for both the Group and the Company.

21. Related parties

Identity of related parties

The Company has a related party relationship with its subsidiaries, parent and other group entities. Furthermore, it has a relationship with Burgan Bank SAK, Kuwait, as it has a significant shareholding in the parent company, FIMBank plc. The results of these transactions and balances with related parties are disclosed in the various notes to the financial statements together with the relative terms and conditions where applicable.

The Company has a USD 65m repo facility with Burgan Bank SAK, Kuwait which has been fully utilised. Further details of this is included in Note 14 Other Borrowings.

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 10, 12 and 16 of these financial statements.

22. 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 COMPANY LTD

Income statement - 5 year summary
(unaudited)

Group	2016 USD	2015 USD	2014 USD	2013 USD	2012 USD
Total value of forfaiting assets sold/matured during the year	**594,146,860**	369,569,684	353,288,355	360,678,762	404,617,582
Trading income	**17,436,756**	10,436,159	10,346,288	10,609,613	17,450,388
Administrative expenses	**(5,615,095)**	(5,637,217)	(5,737,650)	(4,776,053)	(5,131,634)
Operating profit before provisions & financing costs	**11,821,661**	4,798,942	4,608,638	5,833,560	12,318,754
Movement in provisions	**-**	-	665,215	-	-
Operating profit before financing costs	**11,821,661**	4,798,942	5,273,853	5,833,560	12,318,754
Net Financing expense	**(6,028,056)**	(3,993,278)	(4,269,650)	(4,563,642)	(4,234,577)
Profit before tax	**5,793,605**	805,664	1,004,203	1,269,918	8,084,177
Income tax	**687,726**	-	-	-	-
Profit for the year attributable to equity holders of the parent	**6,481,331**	805,664	1,004,203	1,269,918	8,084,177

LONDON FORFAITING COMPANY LTD

Statements of financial position - 5 year summary (unaudited)

Group	2016 USD	2015 USD	2014 USD	2013 USD	2012 USD
Assets					
Plant and equipment	**141,724**	192,896	100,714	98,396	196,415
Deferred tax assets	**7,259,406**	6,571,680	6,571,680	6,571,680	6,571,680
Non-current assets	**7,401,130**	6,764,576	6,672,394	6,670,076	6,768,095
Forfaiting assets - held for trading	**379,397,964**	355,063,998	262,856,375	272,831,977	245,061,077
Cash and cash equivalents	**184,625**	165,399	184,873	224,659	238,448
Trade and other receivables	**1,345,979**	1,060,588	1,059,688	1,104,013	1,047,077
Current assets	**380,928,568**	356,289,985	264,100,936	274,160,649	246,346,602
Total assets	**388,329,698**	363,054,561	270,773,330	280,830,725	253,114,697
Equity					
Issued capital	**40,000,000**	40,000,000	40,000,000	40,000,000	17,500,000
General reserve	**-**	-	-	-	7,782,213
Retained earnings	**34,261,623**	27,780,292	26,974,628	25,970,425	39,418,294
Total equity attributable to owners of the Company	**74,261,623**	67,780,292	66,974,628	65,970,425	64,700,507
Liabilities					
Provisions	**-**	-	-	1,360,910	1,301,685
Non-current liabilities	**-**	-	-	1,360,910	1,301,685
Bank overdraft	**217,281,201**	208,526,277	165,020,576	157,374,547	133,716,768
Other Borrowings	**86,725,869**	76,832,308	31,748,388	47,255,486	42,952,408
Trade and other payables	**10,061,005**	9,915,684	7,029,738	8,869,357	10,443,329
Current liabilities	**314,068,075**	295,274,269	203,798,702	213,499,390	187,112,505
Total liabilities	**314,068,075**	295,274,269	203,798,702	214,860,300	188,414,190
Total equity and liabilities	**388,329,698**	363,054,561	270,773,330	280,830,725	253,114,697

LONDON FORFAITING COMPANY LTD

Cashflow statements - 5 year summary (unaudited)

Group	2016 USD	2015 USD	2014 USD	2013 USD	2012 USD
Cash flows from operating activities					
Proceeds from sales/maturity of forfaiting assets	**608,191,331**	379,589,607	366,575,437	383,877,015	415,165,931
Purchase of forfaiting assets	**(620,339,449)**	(464,363,211)	(351,840,939)	(407,941,359)	(417,954,073)
Interest and commission receipts	**7,966,840**	3,936,963	6,881,446	7,374,852	6,061,523
Interest and commission payments	**(8,671,923)**	(4,799,070)	(4,905,443)	(4,991,207)	(4,799,542)
Payments to employees and suppliers	**(5,493,630)**	(5,712,989)	(6,929,321)	(5,512,403)	(4,900,989)
Cash inflow/ outflow before changes in operating assets / liabilities	**(18,346,831)**	(91,348,700)	9,781,180	(27,193,102)	(6,427,150)
(Increase)/decrease in operating assets					
- Amounts due from ultimate parent	**(8,393)**	12,957	2,699	9,940	186,834
- Prepayments, accrued income and other debtors	**(276,998)**	(13,857)	41,626	(66,877)	(20,398)
Increase/(decrease) in operating liabilities					
Amount due to ultimate parent	**(60,713)**	74,972	(175,447)	151,859	(5,771)
Other liabilities	**72,949**	2,807,568	(1,790,295)	(882,809)	449,795
Net cash used in operating activities before income tax	**(273,155)**	2,881,640	(1,921,417)	(787,887)	610,460
Income tax paid			-	-	-
Net cash used in operating activities	**(18,619,986)**	(88,467,060)	7,859,763	(27,980,989)	(5,816,690)
Net cash from investing activities	**(9,273)**	(142,035)	(38,480)	6,343	5,509
Cash flows from financing activities					
Proceeds from issued prom notes	**31,081,579**	70,230,339	58,402,123	90,472,827	55,189,467
Repayment of prom notes	**(48,502,465)**	(55,182,780)	(83,300,933)	(63,789,751)	(54,582,931)
Other financing agreements entered	**47,500,000**	107,410,503	58,658,813	146,757,480	95,274,957
Repayment of financing agreements entered	**(20,185,553)**	(77,374,142)	(49,267,101)	(169,137,478)	(61,137,479)
Net movement in bank overdraft	**8,754,924**	43,505,701	7,646,029	23,657,779	(29,453,077)
Net cash used in financing activities	**18,648,485**	88,589,621	(7,861,069)	27,960,857	5,290,937
Net (decrease)/ increase in cash and cash equivalents	**19,226**	(19,474)	(39,786)	(13,789)	(520,244)
Cash and cash equivalents at beginning of year	**165,399**	184,873	224,659	238,448	758,692
Cash and cash equivalents at end of year	**184,625**	165,399	184,873	224,659	238,448

Directors and senior management

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

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