Annual Report 2018

www.forfaiting.com

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

LONDON FORFAITING COMPANY LTD

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LONDON FORFAITING
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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. 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 USD 100,000 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 or other

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.

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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. LFC's activities include the purchasing and trading of bills of exchange, promissory notes, loans, deferred payment letters of credit and the provision of other financial facilities to companies and banks. LFC operates in a global market and has an international network of offices supporting its principle activity. The background to these business activities is given on page 1.

Results & Performance

LFC reported a significant increase in its profit before tax for 2018 to USD 15,251,328 (2017: USD 8,482,868). This represents a 80% increase from the previous year and is the record year for LFC since being acquired by FIMBank in 2003. Profitability increased due to higher trading income and recoveries on previously non-performing loans. Whilst there was an increase in administrative expenses and net financing expenses, LFC's net profit after tax for the year attributable to equity holders of the company was USD 13,845,772 (2017: USD 8,333,199).

For the year under review the environment in which LFC operates was challenging. During the first half of 2018 growth in LFC's forfaiting assets held for trading was constrained due to capital constraints at the parent FIMBank plc. However, this was resolved by a capital injection in the parent during Q2 2018, after which LFC's forfaiting assets held for trading started to grow, ending the year at USD 347,284,967.

Increased political uncertainty in Turkey, one of LFC's main markets, affected the fair valuation of our forfaiting assets held for trading during the year. Whilst the situation in Turkey is now improving, it had a negative effect upon our Turkish asset valuations and business volumes for the year under review. The economic environment for emerging market borrowers remained challenging due to the volatility in the price of commodities and increasing USD interest rates. Nevertheless LFC was able to capitalise upon the opportunities this volatility created. Most significantly, LFC was able to negotiate the recovery of a long outstanding non-performing loan during the second half of 2018, recovering the face value of this asset in full.

The combination of these factors helped LFC deliver in 2018, its highest level of profitability since FIMBank's acquisition of the Group.

New accounting standards

There were new international financial reporting standards effective this year, IFRS9 and IFRS15. Under IAS18 certain fees were treated as syndication fees and deferred on the balance sheet. Upon transition to IFRS15 and IFRS9, analysis performed on the nature of these fees found that under the new accounting standards LFC should recognise all or part of a structuring fee as revenue under IFRS 15 only if the fair value of the loan is determined using data from observable markets. As LFC's forfaiting portfolio held for trading is fair valued using non-observable inputs, these cash flows should be accounted for under IFRS9 rather than IFRS15. This led to a transitional adjustment under IFRS9 of deferred revenue from trade and other payables to forfaiting assets held for trading. This represents a balance sheet re-classification only. IFRS9 does not require a restatement of prior periods in these circumstances. The opening balance sheet of this change would have been a reduction of USD 3,833,732 to the forfaiting asset held for trading as at 31 December 2017 from USD 252,509,144 to USD 248,675,412 on 1 January 2018. Furthermore, many items on the Income statement were reclassified after the adoption of the above standards.

Turnover and trading income

LFC's turnover (defined as the total value of forfaiting assets sold and matured) decreased by 44% from USD 610,208,822 in 2017 to USD 343,307,478 in 2018. Part of the reason for this drop in turnover is explained above. Nevertheless, this did not adversely impact our profitability for the year. Whilst forfaiting assets held for trading at the year-end increased 38% to USD 347,284,967 (2017: USD 252,509,144), this increase occurred during the second half of 2018. Forfaiting yield then increased by 31% to USD 18,522,943 from USD 14,146,922 in 2017, as a reflection of the increasing portfolio and interest rates.

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Strategic Report (continued)

Turnover and trading income (continued)

The fair value gain of forfaiting assets held for trading and derivative financial instruments was significantly higher at USD 10,953,809 profit in 2018 compared to USD 50,022 loss in 2017. Although this was a result of reclassifying components from net fees and commissions income in 2018, as explained above, there was nevertheless a significant year on year increase. This was due to the increase in the fair valuation of a non-performing loan in the months preceding settlement and a higher contributions from fair value trading.

Net fees and commission income decreased from USD 7,133,037 in 2017 to USD 484,884 in 2018, which following from the above was as a result of reclassifying components of net fees and commissions income to fair value.

Notwithstanding the reclassification, due to improved performance of the proex scheme financing in Brazil and lower credit insurance costs, net fees and commissions income contributed towards a 41% year on year increase in Trading Income.

Net financing expense

LFC's parent, FIMBank plc. continued to provide funding, through the bank overdraft to help support funding of the forfaiting portfolio held for trading. The bank overdraft increased by 167% from USD 48,875,237 in 2017 to USD 130,287,629 in 2018, largely due to LFC prepaying a USD 65m repo loan facility from Burgan Bank S.A.K. Notwithstanding this prepayment, LFC's increased efforts to expand its other funding activities resulted in a net decrease of only 15% in our external funding, which ended the year at USD 113,202,873 in 2018 from USD 133,650,296 in 2017.

Administrative expenses

LFC continually monitors its administrative expenses, which were 21% higher for the year at USD 8,628,630 compared to USD 6,339,039 in 2017 largely due to performance costs.

Deferred Tax Asset

In view of the Company's continued improving profitability, the Directors again reviewed the value of the deferred tax asset against future income projections. Following this review, the Directors consider the deferred tax asset at USD 6,689,406, as at 31 December 2018 as appropriate and reasonable. During the year, USD 570,000 of the deferred tax asset was consumed as a result of the increased profitability of the Company.

Financial risk management

The financial risk management objectives and policies and exposures to various risks, including market risk, liquidity risk, credit risk and operational risk (which include compliance and reputational risk) are covered in note 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 those relating to Turnover (defined as total value of forfaiting assets held for trading sold and matured during the year), Trading Income, Portfolio of Forfaiting Assets Held for Trading and Funding are addressed above.

An essential element in maintaining LFC's growth and market leading position is the retention of key personnel and the provision of appropriate training. Consequently, staff turnover is also considered to be a key Non-Financial KPI and is monitored closely by Directors. During 2018, LFC had three joiners and two leavers from a total staff count of 39 (2017: seven joiners and six leavers from a total staff count of 38).

During 2018, LFC was once again acknowledged as the leading forfaiting company, being awarded the "Best Alternative Trade Finance Provider" award from GTR magazine.

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Strategic Report (continued)

Brexit, key risks, uncertainties and Outlook

Key risks to the business in the coming year continue to be the volatility in the price of commodities, coupled with credit and interest rate risk exposure of the forfaiting assets held for trading in the emerging markets. Whilst the US-Sino relationship continues to be strained, the effect of this on LFC would be limited. Although, LFC is exposed to US exports to Latam countries and Chinese exports to Sub-Saharan Africa, LFC has very little exposure to trade flows directly to and from the United States and China.

The impact of Brexit on LFC's UK activities has been reviewed and is considered to have a minimal impact upon the activities and performance of the Company. We believe that LFC's appetite for diverse risks across different business sectors and geographies, coupled with our global footprint places LFC in a strong position to manage any identifiable risks associated with Britain withdrawing from the EU. LFC's exposure is mainly to emerging markets which will have a limited impact from Brexit. Notwithstanding a portion of our forfaiting assets held for trading are Euro denominated, the counterparties are not based in the EU and the recoverability of these exposures are likely to be unaffected by Brexit. Key personnel at LFC will not be affected. LFC's funding is sourced from EU and non-EU entities, as well as it's own equity; other than loans from our parent, FIMBank plc, LFC does not place a reliance on EU sourced funding. We do not currently believe the business model will have to change to accommodate Brexit.

LFC continually source remunerative transactions, notwithstanding difficult market conditions. The forfaiting portfolio held for trading is robust and its risks continually monitored. LFC has considerable experience in managing exposures and in the close monitoring of transactions, to ensure performance as well as the use of various techniques to mitigate risks. Where LFC's business leads to risks relating to interest rate movements, we use established hedging techniques and derivatives to minimise this exposure. Funding is secured from our own capital, our ability to attract external funding, and financing we receive from our immediate parent, related parties and our ultimate owners, Kuwait Projects Company Holding K.S.C.P. (KIPCO).

Going concern

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, 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.

Directors and Staff

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

John C. Grech
Chairman
7 February 2019

Simon Lay
Chief Executive Officer

LONDON FORFAITING COMPANY LTD

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 2018.

Results and dividends

LFC's profit after tax for the year 2018 was USD 13,845,772 (2017: USD 8,333,199). The Directors approved the payment of a scrip dividend of USD 10,000,000 during the year (2017: cash dividend of USD 4,448,401). The scrip dividend was paid from the issue of 10,000,000 bonus shares at USD 1 per share.

Key Performance Indicators

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

Political contributions

The Group and Company made no political contributions in 2018, (2017: nil)

Directors

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

Chairman/ Director – John Carmel Grech
Director – Mohamed Fekih Ahmed
Director – Majed Essa 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.

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

7 February 2019
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, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of London Forfaiting Company Limited ("the company") for the year ended 31 December 2018 which comprise the Group and parent Company and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December, 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Basis for opinion

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

Other matters: The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of deferred tax assets, fair valuation of financial instruments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

Sarah Ward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
9 February, 2019

Income statements

For the year ended 31 December 2018

	Note	Group 2018 USD	Group 2017 USD	Company 2018 USD	Company 2017 USD
Trading income	4	**29,961,636**	21,229,937	**28,653,833**	19,998,668
Administrative expenses	5	**(8,628,630)**	(6,399,039)	**(7,715,640)**	(5,467,318)
Other operating income	6	**746,593**	-	**1,074,020**	146,118
Operating profit		**22,079,599**	14,830,898	**22,012,213**	14,677,468
Finance income	7	**1,331**	10,121	**635**	173,296
Finance costs	7	**(6,829,602)**	(6,358,151)	**(6,805,697)**	(6,365,513)
Net finance costs	7	**(6,828,271)**	(6,348,030)	**(6,805,062)**	(6,192,217)
Profit before tax		**15,251,328**	8,482,868	**15,207,151**	8,485,251
Income tax expense	8	**(1,405,556)**	(149,669)	**(1,405,556)**	(149,669)
Profit for the year attributable to equity holders of the company		**13,845,772**	8,333,199	**13,801,595**	8,335,582

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

The notes on pages 15 to 45 are an integral part of these financial statements.

Statements of comprehensive income

For the year ended 31 December 2018

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Profit for the year	**13,845,772**	8,333,199	**13,801,595**	8,335,582
Other comprehensive income for the year, net of tax				
Foreign currency translation differences for foreign operations	-	-	-	-
Total comprehensive income for the year attributable to equity holders of the company	**13,845,772**	8,333,199	**13,801,595**	8,335,582

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

The notes on pages 15 to 45 are an integral part of these financial statements.

LONDON FORFAITING COMPANY LTD

Statements of financial position

As at 31 December 2018

	Note	Group 2018 USD	Group 2017 USD	Company 2018 USD	Company 2017 USD
Assets					
Plant and equipment	9	**112,474**	99,450	**103,554**	92,666
Investment in subsidiaries	10	**-**	-	**-**	40,894
Deferred tax assets	11	**6,689,406**	7,259,406	**6,689,406**	7,259,406
Non-current assets		**6,801,880**	7,358,856	**6,792,960**	7,392,966
Forfaiting assets – held for trading	18	**347,284,967**	252,509,144	**347,284,967**	252,509,144
Trade and other receivables	12	**2,613,725**	4,400,074	**2,549,999**	4,333,325
Cash and cash equivalents	13	**228,068**	6,367,849	**187,941**	6,326,406
Current assets		**350,126,760**	263,277,067	**350,022,907**	263,168,875
Total assets		**356,928,640**	270,635,923	**356,815,867**	270,561,841
Liabilities					
Bank overdraft	13	**130,287,629**	48,875,237	**130,287,629**	48,875,237
Loans and borrowings	14	**113,202,873**	133,650,296	**113,202,873**	133,650,296
Trade and other payables	16	**21,445,945**	9,963,969	**21,384,977**	9,897,515
Total liabilities		**264,936,447**	192,489,502	**264,875,479**	192,423,048
Equity					
Share capital	15	**50,000,000**	40,000,000	**50,000,000**	40,000,000
Retained earnings		**41,992,193**	38,146,421	**41,940,388**	38,138,793
Total equity attributable to owners of the Company		**91,992,193**	78,146,421	**91,940,388**	78,138,793
Total equity and liabilities		**356,928,640**	270,635,923	**356,815,867**	270,561,841

The notes on pages 15 to 45 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 7 February 2019 and were signed on its behalf by:

John C. Grech
Director

Registered Number 1733470

LONDON FORFAITING COMPANY LTD

Statements of changes in equity

Group	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2017	40,000,000	34,261,623	74,261,623
Total comprehensive income for the year	-	8,333,199	8,333,199
Transactions with owners of the company			
Cash dividend paid	-	(4,448,401)	(4,448,401)
Balance at 31 December 2017	40,000,000	38,146,421	78,146,421
Balance at 1 January 2018	**40,000,000**	**38,146,421**	**78,146,421**
Total comprehensive income for the year		**13,845,772**	**13,845,772**
Transactions with owners of the company			
Bonus shares issued from retained earnings	**10,000,000**	**(10,000,000)**	**-**
Balance at 31 December 2018	**50,000,000**	**41,992,193**	**91,992,193**

Company	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2017	40,000,000	34,251,612	74,251,612
Total comprehensive income for the year	-	8,335,582	8,335,582
Transactions with owners of the company			
Cash dividend paid	-	(4,448,401)	(4,448,401)
Balance at 31 December 2017	40,000,000	38,138,793	78,138,793
Balance at 1 January 2018	**40,000,000**	**38,138,793**	**78,138,793**
Total comprehensive income for the year	**-**	**13,801,595**	**13,801,595**
Transactions with owners of the company			
Bonus shares issued from retained earnings	**10,000,000**	**(10,000,000)**	**-**
Balance at 31 December 2018	**50,000,000**	**41,940,388**	**91,940,388**

The notes on pages 15 to 45 are an integral part of these financial statements.

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Statements of cash flows

For the year ended 31 December 2018

	Note	Group 2018 USD	Group 2017 USD	Company 2018 USD	Company 2017 USD
Cash flows from operating activities					
Proceeds from sale /maturity of forfaiting assets held for trading		**363,253,478**	624,487,174	**363,253,478**	624,487,174
Purchase of forfaiting assets held for trading		**(433,526,755)**	(483,501,455)	**(433,526,755)**	(483,501,455)
Interest and commissions receipts		**7,052,316**	9,190,390	**7,051,620**	9,353,565
Interest and commissions payments		**(8,348,495)**	(8,285,897)	**(9,656,297)**	(9,517,168)
Payment to employees and suppliers		**(6,386,500)**	(5,901,923)	**(5,451,116)**	(4,987,679)
Cash (outflow)/ inflow before changes in operating assets/liabilities		**(77,955,956)**	135,988,289	**(78,329,070)**	135,834,437
(Increase) / decrease in operating assets:					
Amounts due from parent		**(4,691)**	86,637	**(4,691)**	86,637
Prepayments, accrued income and other debtors		**1,791,039**	(3,140,732)	**1,788,019**	(3,129,274)
Increase / (decrease) in operating liabilities:					
Amounts due to parent		**14,839,288**	142,502	**14,839,288**	142,502
Other liabilities		**(5,118,857)**	(793,669)	**(5,113,775)**	(802,339)
Net cash from/ (used in) operating activities before income tax		**11,506,779**	(3,705,262)	**11,508,841**	(3,702,474)
Tax paid		**(227,857)**	(149,669)	**(227,857)**	(149,669)
Net cash used in operating activities		**(66,677,034)**	132,133,358	**(67,048,086)**	131,982,294
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(65,731)**	(31,442)	**(61,684)**	(30,969)
Proceeds from disposal of plant and equipment		**-**	11,245	**-**	11,245
Repayment from subsidiaries		**-**	-	**386,321**	138,923
Net cash from investing activities		**(65,731)**	(20,197)	**306,637**	119,199
Cash flows from financing activities					
Proceeds from the issue of promissory notes		**127,408,466**	76,143,581	**127,408,466**	76,143,581
Repayment of issued promissory notes		**(109,815,691)**	(29,715,795)	**(109,815,691)**	(29,715,795)
Proceeds from money market loan agreements entered		**83,754,065**	13,996,642	**83,754,065**	13,996,642
Repayment of money market loan agreements		**(57,156,248)**	-	**(57,156,248)**	-
Proceeds from repo financing agreements entered		**-**	-	**-**	-
Repayment of repo financing agreements		**(65,000,000)**	(13,500,000)	**(65,000,000)**	(13,500,000)
Repayment of bank overdraft		**81,412,392**	(168,405,964)	**81,412,392**	(168,405,964)
Dividends paid		**-**	(4,448,401)	**-**	(4,448,401)
Net cash from financing activities		**60,602,984**	(125,929,937)	**60,602,984**	(125,929,937)
Net (decrease)/ increase in cash and cash equivalents		**(6,139,781)**	6,183,224	**(6,138,465)**	6,171,556
Cash and cash equivalents at 1 January		**6,367,849**	184,625	**6,326,406**	154,850
Cash and cash equivalents at 31 December	**13**	**228,068**	6,367,849	**187,941**	6,326,406

The notes on pages 15 to 45 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 for the year ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in forfaiting, a further background to our business is shown on page 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 2 to 4.
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 7 February 2019.

(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 Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

(c) Forfaiting assets held for trading

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, tenor, amount and interest rates on each asset at the reporting date and determining whether or not it is higher or lower than the book value, with the resulting gain or loss taken to the income statement; this is further explained in Note 17. Having assessed the business model requirements under IFRS9, this forfaiting assets portfolio was classified as held for trading. This means that the instruments will be held at Fair Value through Profit and Loss. This is the same treatment as under IAS39.

(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.

(e) Forfaiting assets write off

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(f) 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:

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

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

(g) Investments in subsidiaries

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

(h) Trade and other receivables

These financial assets meet the criteria of amortised cost under IFRS9, with solely payment of principal and interest being receivable. As such these instruments are stated at amortised cost under IFRS9. Note this does not lead to a difference in treatment from IAS39. Expected Credit Losses are expected as per the staging criteria set out in accounting policy j.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's and Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. These financial assets meet the criteria of amortised cost under IFRS9, with solely payment of principal and interest being receivable. As such these instruments are stated at amortised cost under IFRS9. Note this does not lead to a difference in treatment from IAS39. Expected Credit Losses are expected as per the staging criteria set out in accounting policy j.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(j) Impairment

IFRS9 replaces the "incurred loss" model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to all financial assets and commitments measured at amortised cost and debt investments. Under IFRS9 credit losses are recognised earlier than under IAS 39 as the ECL model uses forward looking information which replaces an incurred loss model. The financial assets held at amortised costs consists of trade and other receivables and cash and cash equivalents.

The expected credit loss model introduces a three-stage approach to impairment as follows:
Stage 1 – the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;

Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and

Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired

The measurement of ECL is calculated using three main components: (i) probability of default (PD (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

The Company assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Accounts that are 90 calendar days or more past due. The 90 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

As required by IFRS 9 the company applied IFRS 9 retrospectively by adjusting the opening balance sheet at the date of initial application, and comparative periods have not been restated.

(k) 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.

(l) 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.

(m) 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.

(n) Trade and other payables

Trade and other payables are stated at amortised cost.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(o) Trading income

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

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

The Group earns fees and commissions income from the provision of financial services to its customers. These fees are recognised when the Company satisfies the performance obligation of the contract with the customer. The fees and commissions income include fees for business introductions, proex financing, whilst the fees and commissions expense include nostro maintenance fees and fees payable for insurance.

The Group has entered into future contracts to hedge its interest rate exposure. Any gains and losses made under these derivative financial instruments are included within trading income. This is an economic hedge and LFC has not applied hedge accounting requirements.

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 of forfaiting assets held for trading is calculated using the credit worthiness, amount, tenor and interest rates on each asset at the reporting date and determining whether or not it is higher or lower than the book value, with the resulting profit or loss taken to the income statement.

(p) 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 finance costs

Net finance costs comprise interest payable and foreign exchange gains and losses.
Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculates using the estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(q) 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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(q) Income tax (continued)

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

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

(r) Segment Reporting

The Group is not required to adopt IFRS 8 Operating Segment reporting as the Group is not listed. All trading income and profits before taxation are derived from the Group's sole activity of international trade finance focusing on forfaiting and loans. As trading is carried out in international markets, it is not viewed to be contained by geographical boundaries. Furthermore, the forfaiting assets held for trading are diverse and as a consequence segmenting into specific countries or regions would not be meaningful over time as there is no comparability.

(s) Sale and repurchase agreements

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

(t) Inter-group financial instruments

Where the Group and/or Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group and/ or Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Group/ Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

As at 31 December 2018, there are no intercompany guarantees, (2017: nil)

(u) Forfaiting asset insurance

LFC takes out third party insurance against certain loans. The costs of these policies are taken into the fair value of the instruments. Any potential income associated to the policy is not recognised until it is virtually certain that the policy will pay out to LFC

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(v) New standards and interpretations adopted

A number of new standards have been effective for annual periods beginning after 1 January 2018. The impact of these new standards are detailed below:

IFRS 9

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.

Following the business model test, the Group's forfaiting assets are categorised as held for trading. Consequently these are mandatorily measured at fair value through profit and loss (FVTPL) which is the same basis of classification and measurement as was applied under IAS 39. The Group's other financial assets, trade and other receivables and cash and cash equivalents are measured at amortised cost which is subject to impairment as per policy j.

The Group's financial liabilities include a bank overdraft, external borrowings and trade and other payables, all of which have been measured at amortised cost.

The following table and accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's and Group's financial assets and financial liabilities as at 1 January 2018

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relate solely to the new impairment requirements.

As required by IFRS 9 the company applied IFRS 9 retrospectively by adjusting the opening balance sheet at the date of initial application, and comparative periods have not been restated. The only adjustment identified was a restatement between balance sheet captions (representing cashflows previously treated as IAS18 fee deferrals being treated as part of asset fair value) and there has been no impact on capital.

Group	Original classifications under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets			**USD**	**USD**
Forfaiting assets - held for trading	Held-for-trading	FVTPL	252,509,144	248,675,412
Trade and other receivables	Loans and Receivables	Amortised Cost	4,400,074	4,400,074
Cash and cash equivalents	Loans and Receivables	Amortised Cost	6,367,849	6,367,849
Total financial assets			**263,277,067**	**259,443,335**
Financial liabilities				
Bank overdraft	Amortised Cost	Amortised Cost	(48,875,237)	(48,875,237)
Loans and borrowings	Amortised Cost	Amortised Cost	(133,650,296)	(133,650,296)
Trade and other payables	Amortised Cost	Amortised Cost	(9,963,969)	(6,130,237)
Total financial liabilities			**(192,489,502)**	**(188,655,770)**

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Notes to the financial statements (continued)

3. Significant accounting policies (continued)
(v) New standards and interpretations adopted (continued)

Company	Original classifications under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets			**USD**	**USD**
Forfaiting assets - held for trading	Held-for-trading	FVTPL	252,509,144	248,675,412
Trade and other receivables	Loans and Receivables	Amortised Cost	4,333,325	4,333,325
Cash and cash equivalents	Loans and Receivables	Amortised Cost	6,326,406	6,326,406
Total financial assets			**263,168,875**	**259,335,143**
Financial Liabilities				
Bank overdraft	Amortised Cost	Amortised Cost	(48,875,237)	(48,875,237)
Loans and borrowings	Amortised Cost	Amortised Cost	(133,650,296)	(133,650,296)
Trade and other payables	Amortised Cost	Amortised Cost	(9,897,515)	(6,063,783)
Total financial liabilities			**(192,423,048)**	**(188,589,316)**

Carrying value of financial assets held at amortised cost remained the same under IAS39 and IFRS9 as no ECL was identified in respect of these assets upon transition

The Group also makes certain financial guarantees to customers, such as letters of credit confirmations, confirmations of promissory notes or loan credit default swaps. Under IFRS 9 these instruments meet the definition of Financial Guarantees. These instruments must be measured initially at fair value, which is usually equal to premiums received (nil on 1 January 2018). Subsequently these instruments are measured at the higher of the amount of loss allowance or the initial amount recognised less the cumulative amount of income recognised at the reporting date. As at 1 January 2018 there were no losses in respect of these contracts. There was no day one ECL recognised on these contracts.

IFRS 15

The Group had conducted an impact analysis on IFRS 15 Revenue from Contracts with Customers.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. [IFRS 15:1] Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards. Earlier application is permitted.

The core principle of IFRS 15 is that an entity will recognise revenue to represent the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: [IFRS 15:IN7]

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group performed the assessment above and did not identify any material changes to revenue recognition requirements. However, there were changes to the classification of revenue in the Income Statements. The impact of IFRS15 resulted in no prior period restatement or opening adjustment and has no impact on capital.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(w) New standards and interpretations not yet adopted

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRS 16 – Leases due to come into effect 1 January 2019. The Group has assessed the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. IFRS16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-to-use the underlying asset and a lease liability representing its obligation to make lease payments. As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to USD 351,853 which the Group estimates it will recognise as additional lease liabilities.
- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards. IFRS 17 Insurance Contracts.

4. Trading income

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Net gain on financial instruments held for trading:				
Forfaiting yield	**18,522,943**	14,146,922	**18,522,943**	14,146,922
Fair valuation of forfaiting assets held for trading and derivative financial instruments	**10,953,809**	(50,022)	**10,953,809**	(50,022)
	29,476,752	14,096,900	**29,476,752**	14,096,900
Fees and commissions income	**1,286,124**	9,180,268	**1,286,124**	9,180,268
Fees and commissions expenses	**(801,240)**	(2,047,231)	**(2,109,043)**	(3,278,500)
	29,961,636	21,229,937	**28,653,833**	19,998,668

Included within the Company's fees and commissions expense is an amount of USD 1,308,041 (2017: USD 1,231,895) payable to subsidiaries for marketing services. In 2018, the Group refined its fair valuation model to include cash flows associated to fees and commissions income and expense.

5. Administrative expenses

	Group		Company	
	2018	2017	2018	2017
Staff cost	USD	USD	USD	USD
Wages, salaries and allowances	**5,549,549**	4,481,974	**4,915,929**	3,846,162
Social security costs	**512,015**	449,633	**469,248**	404,061
Pension costs	**168,370**	148,404	**153,066**	131,863
Operating lease expenses	**638,016**	594,661	**500,675**	465,531
Auditor's remuneration:				
Audit of these financial statements	**121,606**	92,505	**121,606**	92,505
Amount receivable by auditors and their associates in respect of services:				
- review of interim information	**57,085**	74,205	**57,085**	74,205
- audit of financial statements of subsidiaries	**7,611**	8,290	**7,611**	8,290
- other services relating to taxation	**2,709**	30,666	**2,709**	30,666
Other professional fees	**353,433**	187,695	**357,695**	176,547
Management fees paid to parent	**241,092**	(505,501)	**241,092**	(505,501)
Other administrative expenses	**977,144**	836,507	**888,924**	742,989
	8,628,630	6,399,039	**7,715,640**	5,467,318

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

5. Administrative expenses (continued)

Other pension cost represents contribution payable by the Group to a defined contribution pension scheme.
In the prior year management fees to parent were shown net of fees received for marketing whereas this year the fees are shown gross in other operating income.

	Group		Company	
Total number of employees at the end of the year:	2018	2017	2018	2017
- forfaiting and loan officers	15	15	12	12
- other staff	24	23	21	19
	39	38	33	31

As at 31 December 2018, there were 4 employees in London Forfaiting Americas Inc. (2017: 5 employees) and 2 in London Forfaiting do Brasil Ltda. (2017: 2 employees).

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Group		Company	
	2018	2017	2018	2017
	USD	USD	USD	USD
Directors' Remuneration	40,000	49,778	40,000	49,778
Company contributions to money purchase pension plans	-	-	-	-
	40,000	49,778	40,000	49,778

The aggregate of emoluments and amounts receivable for the highest paid Director is USD 28,000 (2017: USD 31,111). The directors of LFC include employees of other KIPCO group companies whose remuneration is borne by these companies and similarly, there are employees remunerated by the Company who act as directors of other companies in the FIMBank group. For those directors not compensated by the Company a portion of their total compensation has been allocated.

6. Other operating income

	Group		Company	
	2018	2017	2018	2017
	USD	USD	USD	USD
Management fee from the parent	746,593	-	746,593	-
Dividend from subsidiary	-	-	368,321	138,923
(Impairment)/ reversal of impairment on investment in subsidiary	-	-	(40,894)	7,195
	746,593	-	1,074,020	146,118

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

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

7. Net finance costs

	Group 2018 USD	Group 2017 USD	Company 2018 USD	Company 2017 USD
Interest income				
Receivable from subsidiaries	-	-	-	173,270
Other	1,331	10,121	635	26
Financial income	1,331	10,121	635	173,296
Interest expense				
Payable to parent	(3,839,180)	(3,495,549)	(3,839,180)	(3,495,549)
Payable to third parties	(2,917,418)	(2,743,119)	(2,917,418)	(2,743,119)
Net exchange losses	(73,004)	(119,484)	(49,099)	(126,845)
Financial expenses	(6,829,602)	(6,358,152)	(6,805,697)	(6,365,513)
Net financing expenses	(6,828,271)	(6,348,031)	(6,805,062)	(6,192,217)

8. Income tax

	Group 2018 USD	Group 2017 USD	Company 2018 USD	Company 2017 USD
Current tax expense				
Current year	835,556	149,669	835,556	149,669
Non-current	-	-	-	-
Deferred tax expense				
Benefit of tax losses recognised	570,000	-	570,000	-
Income tax expense	1,405,556	149,669	1,405,556	149,669

Reconciliation of effective tax rate

	Group 2018 USD	Group 2017 USD	Company 2018 USD	Company 2017 USD
Profit before tax	15,251,328	8,482,868	15,248,045	8,485,251
Tax using the UK Corporation tax rate of 19% (2017: 19.25%)	2,897,752	1,632,952	2,897,129	1,633,411
Effects of:				
Expenses/(income) disregarded for tax purposes	4,462	1,481	4,355	(27,004)
Depreciation in excess of capital allowances	10,014	12,025	9,651	7,723
Utilisation of tax losses brought forward	(1,506,672)	(1,496,789)	(1,505,579)	(1,464,461)
Recognition of previously unrecognised tax losses	-	-	-	-
Income tax expense	1,405,556	149,669	1,405,556	149,669

LONDON FORFAITING COMPANY LTD

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 2017	727,959	137,721	865,680
Additions	31,441	-	31,441
Disposals	(20,006)	(42,644)	(62,650)
Balance at 31 December 2017	739,394	95,077	834,471
Balance at 1 January 2018	**739,394**	**95,077**	**834,471**
Additions	**65,731**	**-**	**65,731**
Disposals	**-**	**-**	**-**
Balance at 31 December 2018	**805,125**	**95,077**	**900,202**
Depreciation			
Balance at 1 January 2017	607,158	116,798	723,956
Depreciation charge for the year	52,123	20,923	73,046
Disposals	(19,337)	(42,644)	(61,981)
Balance at 31 December 2017	639,944	95,077	735,021
Balance at 1 January 2018	**639,944**	**95,077**	**735,021**
Depreciation charge for the year	**52,707**	**-**	**52,707**
Disposals	**-**	**-**	**-**
Balance at 31 December 2018	**692,651**	**95,077**	**787,728**
Carrying amounts			
At 1 January 2017	120,801	20,923	141,724
At 31 December 2017	99,450	-	99,450
At 1 January 2018	**99,450**	**-**	**99,450**
At 31 December 2018	**112,474**	**-**	**112,474**

Notes to the financial statements (continued)

9. Plant and equipment (continued)

Company

	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost	628,623	95,080	723,703
Balance at 1 January 2017	30,970	-	30,970
Additions	(19,270)	(25,476)	(44,746)
Balance at 31 December 2017	640,323	69,604	709,927
Balance at 1 January 2018	640,323	69,604	709,927
Additions	61,684	-	61,684
Disposals	-	-	-
Balance at 31 December 2018	702,007	69,604	771,611
Depreciation	515,559	95,080	610,639
Balance at 1 January 2017	50,699	-	50,699
Depreciation charge for the year	(18,601)	(25,476)	(44,077)
Balance at 31 December 2017	547,657	69,604	617,261
Balance at 1 January 2018	547,657	69,604	617,261
Depreciation charge for the year	50,796	-	50,796
Disposals	-	-	-
Balance at 31 December 2018	598,453	69,604	668,057
Carrying amounts			
At 1 January 2017	113,064	-	113,064
At 31 December 2017	92,666	-	92,666
At 1 January 2018	92,666	-	92,666
At 31 December 2018	103,554	-	103,554

Notes to the financial statements (continued)

10. Investments in subsidiaries

Company

	2018 USD	2017 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	**47,669,397**	47,676,592
Impairment / (reversal of impairment)	**40,894**	(7,195)
Balances at 31 December	**47,710,291**	47,669,397
Net investment	**-**	40,894

The Group and Company have the following investments in subsidiaries:

	Nature of business	Country of incorporation	Issued ordinary share capital	Ownership interest 2018	Ownership interest 2017
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	
	2018	**2017**	**2018**	**2017**
	USD	**USD**	**USD**	**USD**
Tax value of loss carry-forwards				
Recognised	**6,689,406**	7,259,406	**6,689,406**	7,259,406

	Group		Company	
	2018	**2017**	**2018**	**2017**
	USD	**USD**	**USD**	**USD**
Deferred tax asset brought forward	**7,259,406**	7,259,406	**7,259,406**	7,259,406
Utilised	**(570,000)**	(1,496,789)	**(570,000)**	(1,464,461)
Recognition of previously unrecognised tax losses	**-**	1,496,789	**-**	1,464,461
Balance at 31 December	**6,689,406**	7,259,406	**6,689,406**	7,259,406

Recognition of the above deferred tax assets is based on management's five year profit forecasts (2017: 5 years). It is based on available evidence, including historical levels of profitability and reasonable assumptions, which indicates that it is probable that the Company will have future taxable profits against which these assets can be used.

Unrecognised deferred tax assets

All tax losses have been recognised through the Deferred tax asset of USD 6,689,406 (2017: USD 7,259,406)

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

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 2018.

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Notes to the financial statements (continued)

12. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	USD	USD	USD	USD
Amounts due from parent	403,683	398,993	403,683	398,993
Pre-payments and accrued income	433,628	556,826	397,972	519,817
Other debtors	1,776,414	3,444,255	1,748,344	3,414,515
	2,613,725	4,400,074	2,549,999	4,333,325

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

13. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	USD	USD	USD	USD
Cash at banks	208,536	6,344,313	168,414	6,302,875
Cash in hand	19,532	23,536	19,527	23,531
Cash at banks and in hand	228,068	6,367,849	187,941	6,326,406

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 350 million (2017: USD 350 million). This facility is made available in USD, GBP, EUR, JPY and AED and is unsecured. The amount of USD 130,287,629 was drawn on the facility on the 31 December 2018 (2017: USD 48,875,237).

14. Other borrowings
Group and Company

	2018	2017
	USD	USD
Issued promissory notes	72,575,583	54,653,654
Money market loans	40,627,290	13,996,642
Repos	-	65,000,000
Other borrowings	113,202,873	133,650,296

	Carrying amount of transferred liabilities 2018 USD	Carrying amount of transferred assets 2018 USD	Carrying amount of transferred liabilities 2017 USD	Carrying amount of transferred assets 2017 USD
Repos	-	-	65,000,000	72,542,262

The assets transferred under the repurchase agreement are forfaiting assets held for trading with market value of USD nil (2017: USD 72,542,262) which have been pledged as collateral under repurchase agreement entered by the Company. During the year, the Company prepaid the repurchase agreement of USD 65 million.

Notes to the financial statements (continued)

15. Share capital

In thousands of shares	Ordinary shares 2018	2017
In issue at 1 January and 31 December – fully paid	**50,000**	40,000

At 31 December 2018, the paid share capital comprised of 50,000,000 (2017: 40,000,000) ordinary shares of USD 1 each. During the year, the Company paid its sole shareholder a scrip dividend of USD 10,000,000 through the issue of 10,000,000 bonus shares at USD 1 per share.

16. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	USD	USD	USD	USD
Amounts due to parent	**15,379,116**	539,828	**15,379,116**	539,828
Accruals and deferred income	**6,066,829**	9,424,141	**6,005,861**	9,357,687
	21,445,945	9,963,969	**21,384,977**	9,897,515

Included in accruals and deferred income is USD 0.8m (2017: USD 1.21m) of fees received on trades entered into where the company has a continued involvement. Continued involvement includes semi-annual reviews in which additional charges may be incurred and amounts may be repaid. As at 31 December 2018, this is expected to be 10 years (2017: between 7 and 8 years). The amount represents management's best estimate of the future payables.

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 model. On each and every forfaiting asset held for trading and at the reporting date, management assess the following characteristics

- Counterparty credit worthiness,
- Transaction size,
- Transaction currency,
- Transaction type,
- Repayment profile
- Contractual and current interest rates

to discount expected future principal and interest cash flows, with the resulting gain or loss taken to the income statement. This model is regularly stressed tested and back tested for efficiencies.

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

Due to the judgmental nature of the assumptions used, in particular the discount rate, the valuation methodology is considered level 3 as per IFRS 13 classification.

Notes to the financial statements (continued)

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 2018 plus an adequate credit margin spread to discount forfaiting assets held for trading. The interest rates used are as follows:

	2018	2017
Forfaiting assets held for trading	**1.50% - 12.83%**	0.54% - 12.02%

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

	2018 USD	2017 USD
Balance at 1 January	**252,509,144**	379,397,964
Purchases	**446,850,295**	474,850,009
Settlements	**(343,307,478)**	(610,208,822)
Fair valuation adjustments	**1,951,789**	(50,021)
Movement in accrued interest	**1,409,932**	131,431
Exchange differences	**(1,711,825)**	13,632,374
Overdue now settled	**(10,291,030)**	(4,989,015)
Matured but not settled during the year	**-**	120,224
Asset written off	**(125,860)**	(375,000)
Balance at 31 December	**347,284,967**	252,509,144

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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
2018	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	228,068	-	228,068	228,068
Trade and other receivables	-	2,613,725	-	2,613,725	2,613,725
Liabilities					
Bank overdraft	-	130,287,629	-	130,287,629	130,287,629
Other borrowings	-	113,202,873	-	113,202,873	113,202,873
Trade and other payables	-	21,445,945	-	21,445,945	21,445,945
2017	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	6,367,849	-	6,367,849	6,367,849
Trade and other receivables	-	4,400,074	-	4,400,074	4,400,074
Liabilities					
Bank overdraft	-	48,875,237	-	48,875,237	48,875,237
Other borrowings	-	133,650,296	-	133,650,296	133,650,296
Trade and other payables	-	9,963,969	-	9,963,969	9,963,969

Company	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2018	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	187,941	-	187,941	187,941
Trade and other receivables	-	2,549,999	-	2,549,999	2,549,999
Liabilities					
Bank overdraft	-	130,287,629	-	130,287,629	130,287,629
Other borrowings	-	113,202,873	-	113,202,873	113,202,873
Trade and other payables	-	21,384,977	-	21,384,977	21,384,977
2017	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	6,326,406	-	6,326,406	6,326,406
Trade and other receivables	-	4,333,325	-	4,333,325	4,333,325
Liabilities					
Bank overdraft	-	48,875,237	-	48,875,237	48,875,237
Other borrowings	-	133,650,296	-	133,650,296	133,650,296
Trade and other payables	-	9,897,515	-	9,897,515	9,897,515

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board in conjunction with the 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	**2018 USD**	**2017 USD**
Americas	**63,251,532**	64,145,074
Asia	**54,445,054**	39,816,166
Central and Eastern Europe	**8,030,219**	2,900,000
Middle East & North Africa	**15,262,104**	678,408
Rest of Europe	**98,010,914**	91,036,175
Sub-Saharan Africa	**108,285,144**	53,933,321
	347,284,967	252,509,144

Counterparty type	**2018 USD**	**2017 USD**
Banks	**213,192,122**	92,321,816
Corporates	**83,839,902**	114,182,092
Sovereign	**50,252,943**	46,005,236
	347,284,967	252,509,144

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	2018					2017				
	USD	Euro	Sterling	Other	Total	USD	Euro	Sterling	Other	Total
Assets		USD	USD	USD	USD		USD	USD	USD	USD
- Forfaiting assets held for trading	272,067,218	74,676,133	541,616	-	347,284,967	231,582,029	19,281,303	1,645,812	-	252,509,144
- Cash and cash equivalents	23,740	8,865	158,606	36,857	228,068	79,327	6,005,064	247,523	35,935	6,367,849
- Trade and other receivables	2,395,380	120,220	72,132	25,993	2,613,725	2,208,077	2,138,890	26,099	27,008	4,400,074
Total Assets	274,486,338	74,805,218	772,354	62,850	350,126,760	233,869,433	27,425,257	1,919,434	62,943	263,277,067
Liabilities										
- Bank overdraft	92,808,598	37,038,676	440,355	-	130,287,629	57,135,063	(9,905,584)	1,645,758	-	48,875,237
- Other borrowings	76,085,021	37,117,852	-	-	113,202,873	96,869,449	36,780,847	-	-	133,650,296
- Trade and other payables	20,374,856	594,801	459,722	16,566	21,445,945	8,717,037	499,860	725,022	22,050	9,963,969
Total liabilities	189,268,475	74,751,329	900,077	16,566	264,936,447	162,721,549	27,375,123	2,370,780	22,050	192,489,502

Company	2018					2017				
	USD	Euro	Sterling	Other	Total	USD	Euro	Sterling	Other	Total
Assets		USD	USD	USD	USD		USD	USD	USD	USD
- Forfaiting assets held for trading	272,067,218	74,676,133	541,616	-	347,284,967	231,582,029	19,281,303	1,645,812	-	252,509,144
- Cash and cash equivalents	20,470	8,865	158,606	-	187,941	73,820	6,005,063	247,523	-	6,326,406
- Trade and other receivables	2,357,647	120,220	72,132	-	2,549,999	2,168,336	2,138,890	26,099	-	4,333,325
Total Assets	274,445,335	74,805,218	772,354	-	350,022,907	233,824,185	27,425,256	1,919,434	-	263,168,875
Liabilities										
- Bank overdraft	92,808,598	37,038,676	440,355	-	130,287,629	57,135,063	(9,905,584)	1,645,758	-	48,875,237
- Other borrowings	76,085,021	37,117,852	-	-	113,202,873	96,869,449	36,780,847	-	-	133,650,296
- Trade and other payables	20,330,454	594,801	459,722	-	21,384,977	8,672,632	499,860	725,023	-	9,897,515
Total liabilities	189,224,073	74,751,329	900,077	-	264,875,479	162,677,144	27,375,123	2,370,781	-	192,423,048

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 2018 would have increased equity and the profit by USD 2,505 (2017: USD 32,756 profit). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2017. 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 interest rate risk. In this respect, the Group and Company sells interest rate future contracts dated on or near the maturity dates of the forfaiting assets held for trading when it commits to acquire fixed rate forfaiting assets held for trading. In the event of a decision to dispose of the forfaiting asset held for trading and the related future contract before its maturity, the Group and Company have the means to buy equivalent interest rate futures with a minimum of cost.

The interest rate futures contracts are measured at fair value through the profit or loss. The net fair value adjustment of the interest rate futures at 31 December 2018 was a loss of USD 27,309 (2017: USD 12,813 profit). These amounts are recognised as fair valuation of derivative financial instruments in Trading Income.

In managing the interest rate risk, the Group and Company aims to reduce the impact of short term fluctuations on the Group and Company's earnings. Notwithstanding the current low 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 2018 would reduce the Group and Company's profit before tax by approximately USD 419,987 (2017: USD 282,068).

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 350 million and external borrowings. In this regard, the Group and Company's liquidity risks are limited in view of the marketability of the forfaiting assets held for trading and the availability of credit lines from the parent.

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

Notes to the financial statements (continued)

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
2018							
Bank overdraft	**130,287,629**	**130,602,889**	**130,602,889**	-	-	-	-
Other borrowings	**113,202,873**	**113,756,336**	**81,003,308**	**32,753,028**	-	-	-
Amounts due to parent	**15,379,116**	**15,379,116**	**15,379,116**	-	-	-	-
Accruals & deferred income	**6,066,827**	**6,066,827**	**4,443,967**	**624,118**	**244,298**	**339,718**	**414,726**
Total	**264,936,445**	**265,805,168**	**231,429,280**	**33,377,146**	**244,298**	**339,718**	**414,726**
2017							
Bank overdraft	48,875,237	49,013,703	49,013,703	-	-	-	-
Other borrowings	133,650,296	134,886,780	124,612,783	10,273,997	-	-	-
Amounts due to parent	539,828	539,829	539,829	-	-	-	-
Accruals & deferred income	9,424,141	9,424,140	2,135,985	2,863,624	3,327,064	1,097,467	-
Total	192,489,502	193,864,452	176,302,300	13,137,621	3,327,064	1,097,467	-

The amount of USD 130,287,629 on the Bank Overdraft is repayable within 30 days (2017:USD 48,875,237).

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
2018							
Bank overdraft	**130,287,629**	**130,602,889**	**130,602,889**	-	-	-	-
Other borrowings	**113,202,873**	**113,756,336**	**81,003,308**	**32,753,028**	-	-	-
Amounts due to parent	**15,379,116**	**15,379,116**	**15,379,116**	-	-	-	-
Accruals & deferred income	**6,005,861**	**6,005,861**	**4,383,001**	**624,118**	**244,298**	**339,718**	**414,726**
Total	**264,875,479**	**265,744,202**	**231,368,314**	**33,377,146**	**244,298**	**339,718**	**414,726**
2017							
Bank overdraft	48,875,237	49,013,703	49,013,703	-	-	-	-
Other borrowings	133,650,296	134,886,780	124,612,783	10,273,997	-	-	-
Amounts due to parent	539,828	539,828	539,828	-	-	-	-
Accruals & deferred income	9,357,687	9,357,687	2,119,560	2,813,596	3,327,064	1,097,467	-
Total	192,423,048	193,797,998	176,285,874	13,087,593	3,327,064	1,097,467	-

The amount of USD 130,287,629 on the Bank Overdraft is repayable within 30 days (2017: USD 48,875,237).

LONDON FORFAITING COMPANY LTD

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.

	2018							2017						
	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	8.03	87,570,926	62,548,829	11,929,318	13,092,779	-	-	7.15	94,707,536	81,206,951	3,929,055	9,571,530	-	-
- Euro fixed rate	5.25	34,756,680	13,427,069	11,401,329	7,016,510	2,911,772	-	4.67	14,635,606	165,722	10,289,411	543,801	3,636,672	-
- GBP fixed rate	6.54	540,083	74,249	124,059	234,415	107,360	-	3.76	1,643,309	829,630	65,277	414,195	334,207	-
- USD floating rate	7.47	184,533,957	34,638,256	44,478,104	62,863,469	42,554,128	-	6.43	136,712,751	26,476,812	29,842,072	37,001,267	43,392,600	-
- Euro floating rate	4.88	39,883,321	16,738,939	23,144,382	-	-	-	1.00	4,809,942	4,797,733	12,209	-	-	-
		347,284,967	127,427,342	91,077,192	83,207,173	45,573,260	-		252,509,144	113,476,848	44,138,024	47,530,793	47,363,479	-
Cash and cash equivalents														
-Cash at Bank	-	208,535	208,535	-	-	-	-	0.30	6,344,313	6,344,313	-	-	-	-
- Cash in hand	-	19,533	19,533	-	-	-	-	-	23,536	23,536	-	-	-	-
		228,068	228,068	-	-	-	-		6,367,849	6,367,849	-	-	-	-
Bank overdraft														
- USD	4.27	(92,808,598)	(92,808,598)	-	-	-	-	3.81	(57,135,063)	(57,135,063)	-	-	-	-
- EUR	1.77	(37,038,676)	(37,038,676)	-	-	-	-	0.00	9,905,584	9,905,584	-	-	-	-
- GBP	2.50	(440,355)	(440,355)	-	-	-	-	2.75	(1,645,758)	(1,645,758)	-	-	-	-
- AED	1.77	-	-	-	-	-	-	-	-	-	-	-	-	-
		(130,287,629)	(130,287,629)	-	-	-	-		(48,875,237)	(48,875,237)	-	-	-	-
Other Borrowings	3.46	(113,202,873)	(80,527,187)	(32,675,686)	-	-	-	2.91	(133,650,296)	(123,456,005)	(10,194,291)	-	-	-
Total		104,022,533	(83,159,406)	58,401,506	83,207,173	45,573,260	-		76,351,460	(52,486,545)	33,943,733	47,530,793	47,363,479	-

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.

2018

	Effective interest rate	Total USD	6months or less USD	6-12 months USD	1-2 years USD	2-5 years USD	Over 5 years
Forfaiting assets held for trading							
- USD fixed rate	8.03	87,570,926	62,548,829	11,929,318	13,092,779	-	-
- Euro fixed rate	5.25	34,756,680	13,427,069	11,401,329	7,016,510	2,911,772	-
- GBP fixed rate	6.54	540,083	74,249	124,059	234,415	107,360	-
- USD floating rate	7.47	184,533,957	34,638,256	44,478,104	62,863,469	42,554,128	-
- Euro floating rate	4.88	39,883,321	16,738,939	23,144,382	-	-	-
		347,284,967	127,427,342	91,077,192	83,207,173	45,573,260	-
Cash and cash equivalents							
- Cash at Bank	-	168,413	168,413	-	-	-	-
- Cash in hand	-	19,528	19,528	-	-	-	-
		187,941	187,941	-	-	-	-
Bank overdraft							
- USD	4.27	(92,808,598)	(92,808,598)	-	-	-	-
- EUR	1.77	(37,038,676)	(37,038,676)	-	-	-	-
- GBP	2.50	(440,355)	(440,355)	-	-	-	-
		(130,287,629)	(130,287,629)	-	-	-	-
Other borrowings	3.46	(113,202,873)	(80,527,187)	(32,675,686)	-	-	-
Total		103,982,406	(83,199,533)	58,401,506	83,207,173	45,573,260	-

2017

	Effective interest rate	Total USD	6months or less USD	6-12 months USD	1-2 years USD	2-5 years USD	Over 5 years
Forfaiting assets held for trading							
- USD fixed rate	7.15	94,707,536	81,206,951	3,929,055	9,571,530	-	-
- Euro fixed rate	4.67	14,635,606	165,722	10,289,411	543,801	3,636,672	-
- GBP fixed rate	3.76	1,643,309	829,630	65,277	414,195	334,207	-
- USD floating rate	6.43	136,712,751	26,476,812	29,842,072	37,001,267	43,392,600	-
- Euro floating rate	1.00	4,809,942	4,797,733	12,209	-	-	-
		252,509,144	113,476,848	44,138,024	47,530,793	47,363,479	-
Cash and cash equivalents							
- Cash at Bank	0.30	6,302,875	6,302,875	-	-	-	-
- Cash in hand	-	23,531	23,531	-	-	-	-
		6,326,406	6,326,406	-	-	-	-
Bank overdraft							
- USD	3.81	(57,135,063)	(57,135,063)	-	-	-	-
- EUR	0.00	9,905,584	9,905,584	-	-	-	-
- GBP	2.75	(1,645,758)	(1,645,758)	-	-	-	-
		(48,875,237)	(48,875,237)	-	-	-	-
Other borrowings	2.91	(133,650,296)	(123,456,005)	(10,194,291)	-	-	-
Total		76,310,017	(52,527,988)	33,943,733	47,530,793	47,363,479	-

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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry, country and region in which customers operate. Details of credit risk concentration of the forfaiting portfolio are included in page 35.

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

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

The Group is closely monitoring the economic environment in the emerging market and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In 2018, countries where payment delays were experienced due to foreign exchange shortages, limits were reduced.

Whilst the Company's maximum exposure to credit risk is the carrying value of the fair value of its assets and off-balance sheet instruments, the exposure is mitigated through offsetting collateral, credit guarantees and other actions taken to mitigate the Company's exposure.

Group and Company

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

	Gross Value 2018 USD	Fair Value 2018 USD	Gross Value 2017 USD	Fair Value 2017 USD
Not past due	**356,155,858**	**347,208,104**	250,224,948	249,410,467
Past due [0-30 days]	**-**	**-**	-	-
Past due [31-120 days]	**1,537,257**	**76,863**	-	-
More than 120 days	**-**	**-**	11,833,924	3,098,677
Total	**357,693,115**	**347,284,967**	262,058,872	252,509,144

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

	Group 2018 USD	Group 2017 USD	Company 2018 USD	Company 2017 USD
Realised upward fair valuation	**6,044,462**	463,807	**6,044,462**	463,807
Realised downward fair valuation	**(1,614,693)**	(6,327)	**(1,614,455)**	(6,327)
Unrealised upward fair valuation	**7,907,831**	631,106	**7,907,831**	631,106
Unrealised downward fair valuation	**(2,184,065)**	(1,138,608)	**(2,184,065)**	(1,138,608)
Amounts reversed from written off assets	**14,384**	-	**14,384**	-
	10,167,919	(50,022)	**10,168,157**	(50,022)

In 2018, the Group refined its fair valuation model in include components of fees and commissions income and expense.
There are no historic forfaiting assets, not carried at fair value which are fully provided for.

LONDON FORFAITING COMPANY LTD

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. Operational risks include Compliance (KYC) risks, reputational risk amongst others.

Compliance (KYC) and Reputational Risks

Reputational risk is the risk that negative publicity on LFC's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. This arises from operational failures, failure to comply with relevant laws and regulations - especially Anti– Money Laundering ("AML") and Anti-Terrorism Financing ("ATF") regulations - or from other sources, including acts or omissions of misconduct on the part of its Directors and/or officers and/or representatives overseas, even in matters which are unrelated to their mandate or position within the Group. The impact to LFC for non-compliance with the applicable regulations can be substantial and can include formal enforcement actions, monetary penalties, informal enforcement actions, and enhanced supervisory monitoring.

To this purpose, detailed AML, ATF and fraud documentation policies and procedures, an established Customer Acceptance Policy as well as a strong oversight by LFC's Board and Management have been devised. LFC uses research tools to assess the adequacy of prospective clients and transactions including the rating of corporate and business relationships. Through such procedures, LFC would be able to identify transactions and clients which pose a higher risk compared to others. These include Politically Exposed Persons ("PEPs"), clients and transactions deriving from non-compliant jurisdictions. In addition, reputational risk is also indirectly mitigated through the setting of Country Limits. Some of the criteria used in setting up a transaction limit for particular countries are closely related to reputational risk, including issues relating to the political environment such as the fairness and frequency of election processes and access to power and effectiveness in reforming political systems and implementing economic agendas.

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;
- periodic reviews undertaken by Internal Audit.

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.

In 2018, the transition to IFRS9 and IFRS15 has had a USD nil impact on capital.

Notes to the financial statements (continued)

19. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2018	2017	2018	2017
	USD	USD	USD	USD
Less than one year	**349,830**	357,071	**255,030**	262,271
Between one and five years	**110,343**	312,086	**63,074**	170,016
More than five year	**-**	-	**-**	-
	460,173	669,157	**318,104**	432,287

During the year, USD 638,016 was recognised as an expense in LFC Group's income statement in respect of operating leases (2017:USD 594,661). Similarly, USD 500,675 was recognised in the LFC Company's income statement in 2018 in respect of operating leases (2017:USD 465,531).

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 2018 these totalled USD 72,061,370 (2017: USD 126,107,003) for both the Group and the Company as shown in the table below:

	Group	
	2018	2017
	USD	USD
Forfaiting assets held for trading commitments	**36,610,687**	47,236,123
Letter of Credit confirmations	**2,214,529**	1,778,142
Loan credit default swaps	**7,500,000**	53,573,829
Conditional guarantees	**52,824**	94,077
Unfunded credit facilities	**25,683,330**	23,424,832
	72,061,370	126,107,003

Financial Guarantees

Financial guarantees are recognised under IFRS 9 and are held at fair value in the balance sheet. The nature of these guarantees means that fair value at inception is usually equal to the premium received. If there is no up-front payment then the fair value of the financial guarantees is recognised at nil on the balance sheet.

Notes to the financial statements (continued)

21. Related parties

Identity of related parties and related party balances

The Company has a related party relationship with its subsidiaries, parent and other group entities. The results of these transactions and balances with related parties are disclosed in the various notes to the financial statements together with the relative terms and conditions where applicable.

The Company has a relationship with Burgan Bank SAK, Kuwait, as it has a significant shareholding in the parent company, FIMBank plc. The Company had a USD 65m repo facility with Burgan Bank SAK, Kuwait which has been fully utilised and repaid during 2018. Further details of this is included in Note 14 Other Borrowings.

The Company has a relationship with Burgan Bank A.S, Turkey, as it is a subsidiary of the Burgan Bank SAK, Kuwait, which has a significant shareholding in the parent company, FIMBank plc. The Company had a USD 9.7m forfaiting asset held for trading which matured during 2018.

The Company has a relationship with Tunis International Bank S.A, Tunisia, as it is a subsidiary of the Burgan Bank SAK, Kuwait, which has a significant shareholding in the parent company, FIMBank plc. The Company has two money market loans with Tunis International Bank S.A for USD 8m and for USD 3.4m. Further details of this is included in Note 14 Other Borrowings.

Information on amounts due to/by parent, FIMBank plc and subsidiary companies are set out in notes 10, 12 and 16 of these financial statements.

Other than consideration paid for the provision of services under contracts of employment or in their capacity as directors of the Company (disclosed in Note 5) the Company did not have other related party transactions with key management.

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	2018 USD	2017 USD	2016 USD	2015 USD	2014 USD
Total value of forfaiting assets sold/matured during the year	**343,307,478**	610,208,822	594,146,860	369,569,684	353,288,355
Trading income	**29,961,636**	21,229,937	17,436,756	10,436,159	10,346,288
Administrative expenses	**(7,882,037)**	(6,399,039)	(5,615,095)	(5,637,217)	(5,737,650)
Operating profit before provisions & financing costs	**22,079,599**	14,830,898	11,821,661	4,798,942	4,608,638
Movement in provisions	**-**	-	-	-	665,215
Operating profit before financing costs	**22,079,599**	14,830,898	11,821,661	4,798,942	5,273,853
Net Financing expense	**(6,828,271)**	(6,348,030)	(6,028,056)	(3,993,278)	(4,269,650)
Profit before tax	**15,251,328**	8,482,868	5,793,605	805,664	1,004,203
Income tax	**(1,405,556)**	(149,669)	687,726	-	-
Profit for the year attributable to equity holders of the parent	**13,845,772**	8,333,199	6,481,331	805,664	1,004,203

LONDON FORFAITING COMPANY LTD

Statements of financial position - 5 year summary (unaudited)

Group	2018 USD	2017 USD	2016 USD	2015 USD	2014 USD
Assets					
Plant and equipment	**112,474**	99,450	141,724	192,896	100,714
Deferred tax assets	**6,689,406**	7,259,406	7,259,406	6,571,680	6,571,680
Non-current assets	**6,801,880**	7,358,856	7,401,130	6,764,576	6,672,394
Forfaiting assets - held for trading	**347,284,967**	252,509,144	379,397,964	355,063,998	262,856,375
Cash and cash equivalents	**228,068**	6,367,849	184,625	165,399	184,873
Trade and other receivables	**2,613,725**	4,400,074	1,345,979	1,060,588	1,059,688
Current assets	**350,126,760**	263,277,067	380,928,568	356,289,985	264,100,936
Total assets	**356,928,640**	270,635,923	388,329,698	363,054,561	270,773,330
Equity					
Issued capital	**50,000,000**	40,000,000	40,000,000	40,000,000	40,000,000
General reserve			-	-	-
Retained earnings	**41,992,193**	38,146,421	34,261,623	27,780,292	26,974,628
Total equity attributable to owners of the Company	**91,992,193**	78,146,421	74,261,623	67,780,292	66,974,628
Liabilities					
Provisions	**-**	-	-	-	-
Non-current liabilities	**-**	-	-	-	-
Bank overdraft	**130,287,629**	48,875,237	217,281,201	208,526,277	165,020,576
Other Borrowings	**113,202,873**	133,650,296	86,725,869	76,832,308	31,748,388
Trade and other payables	**21,445,945**	9,963,969	10,061,005	9,915,684	7,029,738
Current liabilities	**264,936,447**	192,489,502	314,068,075	295,274,269	203,798,702
Total liabilities	**264,936,447**	192,489,502	314,068,075	295,274,269	203,798,702
Total equity and liabilities	**356,928,640**	270,635,923	388,329,698	363,054,561	270,773,330

LONDON FORFAITING COMPANY LTD

Cashflow statements - 5 year summary (unaudited)

Group	2018 USD	2017 USD	2016 USD	2015 USD	2014 USD
Cash flows from operating activities					
Proceeds from sales/maturity of forfaiting assets	**363,253,478**	624,487,174	608,191,331	379,589,607	366,575,437
Purchase of forfaiting assets	**(433,526,755)**	(483,501,455)	(620,339,449)	(464,363,211)	(351,840,939)
Interest and commission receipts	**7,052,316**	9,190,390	7,966,840	3,936,963	6,881,446
Interest and commission payments	**(8,348,495)**	(8,285,897)	(8,671,923)	(4,799,070)	(4,905,443)
Payments to employees and suppliers	**(6,386,500)**	(5,901,923)	(5,493,630)	(5,712,989)	(6,929,321)
Cash inflow/ outflow before changes in operating assets / liabilities	**(77,955,956)**	135,988,289	(18,346,831)	(91,348,700)	9,781,180
(Increase)/decrease in operating assets					
- Amounts due from ultimate parent	**(4,691)**	86,637	(8,393)	12,957	2,699
- Prepayments, accrued income and other debtors	**1,791,039**	(3,140,732)	(276,998)	(13,857)	41,626
Increase/(decrease) in operating liabilities					
Amount due to ultimate parent	**14,839,288**	142,502	(60,713)	74,972	(175,447)
Other liabilities	**(5,118,857)**	(793,669)	72,949	2,807,568	(1,790,295)
Net cash used in operating activities before income tax	**11,506,779**	(3,705,262)	(273,155)	2,881,640	(1,921,417)
Income tax paid	**(227,857)**	(149,669)	-	-	-
Net cash used in operating activities	**(66,677,034)**	132,133,358	(18,619,986)	(88,467,060)	7,859,763
Net cash from investing activities	**(65,731)**	(20,197)	(9,273)	(142,035)	(38,480)
Cash flows from financing activities					
Proceeds from issued prom notes	**127,408,466**	76,143,581	31,081,579	70,230,339	58,402,123
Repayment of prom notes	**(109,815,691)**	(29,715,795)	(48,502,465)	(55,182,780)	(83,300,933)
Other financing agreements entered	**83,754,065**	13,996,642	47,500,000	107,410,503	58,658,813
Repayment of financing agreements entered	**(57,156,248)**	(13,500,000)	(20,185,553)	(77,374,142)	(49,267,101)
Repayment Repo Financing	**(65,000,000)**	-	-	-	-
Net movement in bank overdraft	**81,412,392**	(168,405,964)	8,754,924	43,505,701	7,646,029
Dividends Paid	**-**	(4,448,401)	-	-	-
Net cash used in financing activities	**60,602,984**	(125,929,937)	18,648,485	88,589,621	(7,861,069)
Net (decrease)/ increase in cash and cash equivalents	**(6,139,781)**	6,183,224	19,226	(19,474)	(39,786)
Cash and cash equivalents at beginning of year	**6,367,849**	184,625	165,399	184,873	224,659
Cash and cash equivalents at end of year	**228,068**	6,367,849	184,625	165,399	184,873

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
Head of Compliance & MLRO	Paul Bohannon
Head of Operations	Lorna Pillow
London Forfaiting Americas. Inc. (LFA)	Gregory Bernardi, President of LFA
London Forfaiting do Brasil Ltda. (LFB)	Alexandre Ozzetti, Director of LFB
Representative, Germany	Wenli Wang
Representative, France	Eric Baillavoine
Representative, Russian Federation	Irina Babenko
Senior Managers	Colin Stone Sandro Valladares Yonca Sarp

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