

**HENCORP PANAMA, S. DE R.L.
AND SUBSIDIARIES**
(Panama, Republic of Panama)

Consolidated Financial Statements

As of December 31, 2017

(With Independent Auditors' Report)

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES
(Panama, Republic of Panama)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Hencorp Panama S. de R.L.

Opinion

We have audited the consolidated financial statements of Hencorp Panama S. de R.L. and Subsidiaries. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 14 of the consolidated financial statements in which detailed balances and transactions with related parties, some of which has significantly impact in consolidated financial situation, financial performance and cash flows of the Company.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Panama and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Panama, Republic of Panama
June 15, 2018

HENCORP PANAMA S. DE R.L. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Financial Position

As at December 31, 2017

(Stated in United States Dollars)

<u>Assets</u>	<u>Note</u>	<u>2017</u>	<u>2016</u>
Deposit with banks	4	1,480,211	991,535
Loans held for sale	4, 5	15,707,836	14,411,113
Investment in fund	6	461,000	10,000
Interest receivable		0	26,365
Other assets	7	1,152,629	1,411,302
Total assets		18,801,676	16,850,315
<u>Liabilities</u>			
Borrowings received	4,8	17,101,006	14,642,830
Accrued interest payable		5,586	1,598
Other liabilities	9	252,349	372,349
Total liabilities		17,358,941	15,016,777
<u>Equity</u>			
Common Shares	13	1,000,000	1,000,000
Retained earnings		442,735	833,538
Total equity		1,442,735	1,833,538
Total liabilities and equity		18,801,676	16,850,315

The consolidated statement of financial position should be read along with the accompanying notes which are an integral part of these consolidated financial statements.

HENCORP PANAMA S. DE R.L. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Income

For the year December 31, 2017

(Stated in United States Dollars)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Interest, commissions and dividends income:			
Interest from loans held for sale and loan servicing		3,940,345	3,066,159
Commissions from loans		304,148	190,038
Dividends		107,810	26,782
Others income		4,120	0
Total revenue		<u>4,356,423</u>	<u>3,282,979</u>
Interest expenses:			
Borrowings		964,695	603,057
Total interest, commissions and dividends income, net		<u>3,391,728</u>	<u>2,679,922</u>
Operating expenses			
Accounting fees		78,030	72,948
Referral commissions		67,536	90,648
Consulting fees		42,036	77,564
Bank charges		23,519	71,479
Professional fees		18,444	14,997
Other	11	53,370	71,390
Total operating expenses		<u>282,935</u>	<u>399,026</u>
Net income before income tax		<u>3,108,793</u>	<u>2,280,896</u>
Income tax	10	950,403	909,268
Net income		<u><u>2,158,390</u></u>	<u><u>1,371,628</u></u>

The consolidated statement of income should be read along with the accompanying notes which are an integral part of these consolidated financial statements.

HENCORP PANAMA S. DE R.L. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

(Stated in United States Dollars)

	<u>Common Shares</u>	<u>Fair Value Reserve</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
Balance as of December 31, 2015	1,000,000	4,950	851,159	1,856,109
Comprehensive income:				
Net income - 2016	0	0	1,371,628	1,371,628
Other comprehensive income:				
Net change in valuation of investments	0	(4,950)	0	(4,950)
Total of other comprehensive income	0	(4,950)	0	(4,950)
Total of comprehensive income	0	(4,950)	1,371,628	1,366,678
Contributions and distributions:				
Tax remittances	0	0	(111,049)	(111,049)
Dividends	0	0	(1,278,200)	(1,278,200)
Total Contributions and distributions	0	0	(1,389,249)	(1,389,249)
Balance as of December 31, 2016	1,000,000	0	833,538	1,833,538
Comprehensive income:				
Net income - 2017	0	0	2,158,390	2,158,390
Total of comprehensive income	0	0	2,158,390	2,158,390
Contributions and distributions:				
Tax remittances	0	0	(108,059)	(108,059)
Dividends	0	0	(2,441,134)	(2,441,134)
Total Contributions and distributions	0	0	(2,549,193)	(2,549,193)
Balance as of December 31, 2017	1,000,000	0	442,735	1,442,735

The consolidated statement of equity should be read along with the accompanying notes which are an integral part of these consolidated financial statements

HENCORP PANAMA S. DE R.L. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

(Stated in United States Dollars)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:			
Net income		2,158,390	1,371,628
Adjustment to reconcile net income to net cash provided by operating activities:			
Income tax	10	950,403	909,268
Interest, dividends and commissions income net		(3,387,608)	(2,679,922)
Changes in operating assets and liabilities:			
Loans held for sale		(1,296,723)	(771,281)
Other assets		258,673	(1,201,881)
Other liabilities		(131,351)	274,124
Interest received and loan servicing		4,378,668	2,060,258
Interest paid		(960,707)	(721,977)
Taxes paid		(939,052)	(1,006,042)
Net cash used in operating activities		<u>1,030,693</u>	<u>(1,765,825)</u>
Cash flows from investing activities:			
Investment in funds		<u>(451,000)</u>	<u>980,000</u>
Net cash used in investing activities		<u>(451,000)</u>	<u>980,000</u>
Cash flows from financing activities:			
Borrowings received		2,458,176	2,068,144
Dividends paid on common shares		(2,441,134)	(1,278,200)
Tax remittance		<u>(108,059)</u>	<u>(111,049)</u>
Net cash provided from financing activities		<u>(91,017)</u>	<u>678,895</u>
Net increase (decrease) in cash		488,676	(106,930)
Cash as of January 1, 2017		<u>991,535</u>	<u>1,098,465</u>
Cash as of December 31, 2017		<u><u>1,480,211</u></u>	<u><u>991,535</u></u>

The consolidated statement of cash flows should be read along with the accompanying notes which are an integral part of these consolidated financial statements.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

December 31, 2017

(Stated in United States Dollars)

(1) General Information

Hencorp Panama, S. de R.L. (the Company), was organized on October 9, 2014 as a Panama limited responsibility company and started operations on March 21, 2015. The Company is owned by Luvi Corporation, S. de R.L. a company incorporated in Panama with an 89.68% stake and FHH Corp. (a company incorporated in the State of Florida, United States of America) with a 10.32% stake. The Company is engaged in originating and structuring loans to customers, primarily corporations. Subsequently the loans are sold and participated to banks and private investors principally located in Central America, South America, the Caribbean and Mexico. All loans are sold without recourse through participation agreements under the Laws of Panama. The servicing rights of such loans are generally retained by the Company. Hencorp Panama, S. de R.L. also retains interests in loans for its own portfolio and may provide advisory, consulting and loan brokerage services.

Hencorp Panama, S. de R.L. wholly owns two subsidiaries, Hencorp Barbados SCC SRL (Hencorp Barbados) and Hencorp Europe, S.L.U. (Hencorp Europe). Hencorp Barbados is a society with restricted liability organized pursuant to the Barbados Restricted Liability Act, on January 12, 2015. Hencorp Europe is a Sociedad Limitada Unipersonal and was constituted in Barcelona, Spain, on December 30, 2014, with current domicile in Madrid, Spain.

Hencorp Panama, S. de R.L. and Subsidiaries shall be here in after jointly referred to as the "Company".

The Company obtains financing for the loans primarily from a related party, Hencorp Becstone Capital, L.C., a company incorporated in the State of Florida (United States of America).

(2) Basis of presentations

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board ("IASB").

Certain amounts in the financial statements and notes to the consolidated financial statements for the year 2016 have been reclassified for comparison purposes.

These consolidated financial statements were approved by the Board of Directors on June 15, 2018.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, amortized cost and fair value for the investment in fund and loans held for sale.

The Company initially, recognizes loans held for sale, receivables and deposits on the date on which they are originated.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in United States dollars (US\$), which is the Company's functional currency.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies

(a) *Basis of Consolidation*

(a.1) Subsidiaries

The Company has control of a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The financial statements of the subsidiaries, described in Note 1, are included in the consolidated financial statements since the date the Company obtains control and ceases when the Company loses control.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the effective acquisition date or the effective disposal date, as applicable.

(a.2) Transactions Eliminated on Consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries of the Company are eliminated on consolidation.

(b) *Cash*

Cash include deposits with banks.

(c) *Loans held for sale*

Company designates the loans as held for sale and are measured at fair value with changes in fair value recognized immediately in profit or loss.

(d) *Investment in fund*

This category includes investments acquired to be maintained for indefinite time with the intention to sell them in case of liquidity issues, changes in interest rates, exchange rate or changes in share market prices. These investments are recorded at their fair value and other changes in the carrying amount of the assets are recognized in other comprehensive income and accumulated under the heading of net change in valuation of investment in fund. When the investment is disposed of (derecognized) or is determined to be impaired, the cumulative gain or loss formerly recognized in the consolidated statement of other comprehensive income is reclassified to the consolidated statement of income.

(e) *Dividend income*

Dividends are recognized in the consolidated statement of income when the Company's right to receive the dividends is established.

(f) *Borrowings Received*

Borrowings received are measured at amortized cost.

(g) *Related Party*

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

(h) *Loan Servicing*

The Company retains the servicing rights of all the loans it originates, and may outsource such servicing activities to third parties.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

(i) *Interest Income*

Interest income and expenses are usually recognized in the consolidated statement of income for any financial instrument presented at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income over the relevant period. The calculation includes all the commissions and installments paid or received by the counterparties which form integral part of the effective interest rate, transaction costs and any other premium or discount. Transaction costs are origin costs directly attributable to the acquisition, issuance or disposal of an asset or liability. When calculating the effective interest rate, the cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses.

(j) *Income Taxes*

Interest gained by the Company's subsidiaries, are subject to domestic income tax. Dividends paid by the Company's subsidiaries, are also subject to remittances taxes withheld by the paying entity.

(k) *Use of Estimates*

The preparation of this consolidated financial statements requires management to use estimates and assumptions that affect the carrying amounts of assets and liabilities, comprehensive income and related disclosures. If actual results differ from the estimates the impact would be recorded in future periods.

The Company has established detailed policies and control procedures that are intended to ensure these judgments are well controlled, independently reviewed and consistently applied from period to period. Management believes that the estimates of the value of the Company's assets and liabilities are appropriate.

(l) *New IFRS and Interpretations that have not been yet adopted*

At the date of the consolidated financial statements there are standards that have not been yet applied in their preparation:

- The final version of IFRS 9 Financial Instruments (2014) supersedes any previous versions of IFRS 9 (2009, 2010 and 2013), and forms part of the comprehensive project to supersede IAS 39. Among the most significant effects of this Standard are:
 - IFRS 9 contains new requirements for the classification and measurement of financial assets. Among other aspects, this Standard includes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 eliminates the categories previously implemented by IAS 39 corresponding to held-to-maturity investments, available-for-sale investments, loans and receivables.
 - Removal of profit or loss volatility caused by changes in the credit risk of liabilities measured at fair value, which implies that gains obtained from the entity's own credit risk impairment in this type of obligations is no longer recognized in profit or loss for the period, but in equity.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

- A substantially amended approach for hedge accounting, with enhanced disclosures in relating with risk management.
- A new impairment model, based on "expected losses" which will require greater and timely recognition of expected credit losses.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

- IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018.

At the date of the consolidated financial statements, the Company has not assessed the impact that the adoption of those standard will have on the consolidated financial statements.

(4) Financial Risk Management

The main risk identified by the Company are credit, liquidity, market and operational risk, which are described as follows:

(a) Credit Risk

The credit risk represents the probability that the counterparty to a business transaction does not meet the terms originally agreed with the Company.

The Company exposed to credit losses in the event of nonpayment on its loans held for sale for the time they are in the consolidated statement of financial position and deposits with bank. The Company's maximum credit exposure is equivalent to the carrying value of the financial instruments on the consolidated statement of financial position.

To mitigate credit risk, risk management policies establish processes and controls to follow for the approval of loans held for sale. The Company structures acceptable credit risk levels by setting limits on the amount of risk that is assumed in relation to one borrower, or group of borrowers, and geographic segment. These credits are constantly controlled and subject to periodic review.

Exposure to credit risk is managed through a periodic analysis of the borrower's or potential borrower's capacity to pay principal and interest. Exposure to credit risk is also mitigated in part through collateral and corporate guarantees.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

The analysis of credit risk concentration at the date of the consolidated financial statements is as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Loans held for sale</u>	<u>Deposit with banks</u>	<u>Loans held for sale</u>	<u>Deposit with banks</u>
Geographic location				
United States of America	0	679,446	0	921,460
España	0	22,112	0	62,068
Panama	0	778,653	0	8,007
Guatemala	6,000,000	0	0	0
Costa Rica	9,707,836	0	14,411,113	0
	<u>15,707,836</u>	<u>1,480,211</u>	<u>14,411,113</u>	<u>991,535</u>
Industries location				
Commercial	2,539,617	0	3,887,215	0
Financial	9,817,724	1,480,211	7,563,898	991,535
Manufacturing	3,350,495	0	2,960,000	0
	<u>15,707,836</u>	<u>1,480,211</u>	<u>14,411,113</u>	<u>991,535</u>

(b) Market Risk

Market risk is the potential for financial loss arising from changes in interest rates. The Company actively controls its interest rate exposure by managing re-pricing risk between assets and liabilities.

Market risk is the risk that the value of a financial instrument held by the Company is reduced due to changes in interest rates, currency exchange rates, stock prices, or other financial variables, and the reaction of participant markets to economic and political events. The objective of market risk management is to manage and monitor risk exposures, and to maintain them within acceptable parameters while optimizing risk/return.

The Company seeks to minimize exposure to interest rate and currency movements. An ongoing and thorough review of portfolio companies, through a comprehensive due diligence that includes company visits, discussions with creditors, and financial statement analysis, is a fundamental part of the Company's risk management process.

As at the reporting date, the risk of interest rate is minimal as the Company only maintains financial assets and liabilities with fixed rate.

As at reporting date, the Company has no foreign currency transactions and no financial instruments other than demand deposit, loans held for sale, investment in fund, borrowings and accounts payable. As a result, the exposure to market risk is minimal.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

The table presented below summarizes the Company's exposure to interest rate risks. The Company's assets and liabilities are included in the table at their carrying values, classified per categories, depending on the new setting of the contractual rate or maturity dates, whichever occurs first.

<u>2017</u>	<u>Up to 3 months</u>	<u>4 to 5 months</u>	<u>6 months to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Financial assets:					
Deposits with banks	1,480,211	0	0	0	1,480,211
Loans held for sale	4,423,750	1,914,656	3,369,430	6,000,000	15,707,836
Total financial assets	<u>5,903,961</u>	<u>1,914,656</u>	<u>3,369,430</u>	<u>6,000,000</u>	<u>17,188,047</u>
Financial liabilities:					
Borrowings received	1,586,591	5,428,602	4,085,813	6,000,000	17,101,006
Total financial liabilities	<u>1,586,591</u>	<u>5,428,602</u>	<u>4,085,813</u>	<u>6,000,000</u>	<u>17,101,006</u>
Total sensitivity to interest rates	<u>4,317,370</u>	<u>(3,513,946)</u>	<u>(716,383)</u>	<u>0</u>	<u>87,041</u>
 <u>2016</u>	 <u>Up to 3 months</u>	 <u>4 to 5 months</u>	 <u>6 months to 1 year</u>	 <u>Over 1 year</u>	 <u>Total</u>
Financial assets:					
Deposits with banks	991,535	0	0	0	991,535
Loans held for sale	2,126,309	4,675,080	1,609,724	6,000,000	14,411,113
Total financial assets	<u>3,117,844</u>	<u>4,675,080</u>	<u>1,609,724</u>	<u>6,000,000</u>	<u>15,402,648</u>
Financial liabilities:					
Borrowings received	2,664,766	3,402,000	2,576,064	6,000,000	14,642,830
Total financial liabilities	<u>2,664,766</u>	<u>3,402,000</u>	<u>2,576,064</u>	<u>6,000,000</u>	<u>14,642,830</u>
Total sensitivity to interest rates	<u>453,078</u>	<u>1,273,080</u>	<u>(966,340)</u>	<u>0</u>	<u>759,818</u>

The Company monitors the concentration of risk for investments in fund based on counterparties, industries and geographic locations of the loans granted by the Fund. The Company's investment in fund are concentrated in the following industries as percentage:

	<u>2017</u>		<u>2016</u>	
	<u>Loans</u>	<u>Deposit with banks</u>	<u>Loans</u>	<u>Deposit with Banks</u>
Geographic location				
Costa Rica	24%	0%	47%	0%
El Salvador	54%	0%	34%	0%
Nicaragua	10%	0%	7%	0%
Mexico	6%	0%	6%	0%
Guatemala	3%	100%	3%	100%
Dominican Republic	1%	0%	2%	0%
Honduras	1%	0%	2%	0%
Trinidad y Tobago	1%	0%	0%	0%

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

	<u>2017</u>		<u>2016</u>	
	<u>Loans</u>	<u>Deposit with banks</u>	<u>Loans</u>	<u>Deposit with banks</u>
Industries location				
Financing for sale	0%	0	27%	0
Agroindustry	26%	0	22%	0
Manufacture	5%	0	8%	0
Metalworking	5%	0	7%	0
Financial	5%	100%	5%	100%
Automotive	15%	0	16%	0
Commercial	31%	0	3%	0
Advertising	3%	0	3%	0
Real estate	5%	0	3%	0
Construction	1%	0	2%	0
Energy	1%	0	2%	0
Distribution of goods	3%	0	2%	0

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not have access to cash to meet its financial commitments as they fall due. The Company's policy is to ensure there are always funds available to honor all current and future cash flow commitments. In this regard, the Company has constant control over its short term liabilities and assets.

The following table details the undiscounted cash flows from financial assets and liabilities, in contractual maturity groups from the remaining period from the date of the consolidated statement of financial position.

<u>2017</u>	<u>Up to 3 months</u>	<u>4 to 5 months</u>	<u>6 months to 1 year</u>	<u>Over 1 year</u>	<u>Total nominal gross amount inflow/(outflow)</u>	<u>Carrying Value</u>
Financial liabilities						
Accounts payables (see note 9)	(173,191)	0	0	0	(173,191)	173,191
Borrowings received	(2,602,005)	(4,312,437)	(3,968,331)	(5,411,290)	(16,294,063)	17,101,006
	(2,775,196)	(4,312,437)	(3,968,331)	(5,411,290)	(16,467,254)	17,274,197
Financial Assets						
Deposits with banks	1,480,211	0	0	0	1,480,211	1,480,211
Loans held for sale	4,533,020	1,945,227	2,960,072	6,111,161	15,549,480	15,707,836
Investment in funds	0	0	0	461,000	461,000	461,000
	6,013,231	1,945,227	2,960,072	6,572,161	17,490,691	17,649,047
	3,158,877	(2,367,210)	(1,008,259)	1,160,871	944,279	295,692

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

2016	Up to 3 months	4 to 5 months	6 months to 1 year	Over 1 year	Total nominal gross amount inflow/(outflow)	Carrying Value
Financial liabilities						
Accounts payables (see note 9)	(372,349)	0	0	0	(372,349)	372,349
Borrowings received	(2,697,410)	(4,406,190)	(1,725,192)	(7,144,361)	(15,973,153)	14,642,830
	(3,069,759)	(4,406,190)	(1,725,192)	(7,144,361)	(16,345,502)	15,015,179
Financial Assets						
Deposits with banks	991,535	0	0	0	991,535	991,535
Loans held for sale	2,298,416	6,129,338	162,524	7,354,651	15,944,929	14,411,113
Investment in funds	0	0	0	10,000	10,000	10,000
	3,289,951	6,129,338	162,524	7,364,651	16,946,464	15,412,648
	220,192	1,723,148	(1,562,668)	220,290	600,962	397,469

(d) Operational Risk

Operational risk is the likelihood of potential losses, direct or indirect damage to fixed assets, deliberate actions that lead to internal or external fraud, disruption of services due to systems failure, errors associated with processes, products and finally, those related to human resources.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for shareholders.

The management of operational risk is supported by the development of overall standards, manuals, procedures and secured databases which include:

- Maintain, or cause to be maintained, complete and accurate financial books and records of the operations of the Company in accordance with prudent business practices and IFRS;
- Compliance with regulatory and other legal requirements; and
- Ethical and business standards.

(e) Capital administration

The Company is not subject to the any imposition of capital requirement.

(5) Loans Held for Sale

As of December 31, 2017, loans held for sale amounted to US\$15,707,836 (2016: US\$14,411,113) with annual interest rate from 7.00% to 8.37% and maturities range from January 2017 to November 2019.

Loans are not past due nor impaired.

(6) Investment in Fund

Hencorp Loan Fund (the Fund) is a private investment entity, organized on August 18, 2014 under the Laws of Panama. The Fund was authorized by the Panamanian Regulator, Superintendencia del Mercado de Valores, on February 2, 2015 to operate as an investment vehicle.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(6) Investment in Fund, continued

The Company has invested in the Fund, generating annualized returns of approximately 6.25% on such investment. As of December 31, 2017, the Company held an investment of US\$461,000 (2016: US\$10,000) on Fund participation, and during 2017, it generated dividends of US\$107,810 (2016: US\$26,782).

The Company's investment in fund at December 31, 2017 and 2016 consisted of the following participations:

	<u>2017</u>	<u>Participation</u>	<u>2016</u>	<u>Participation</u>
Hencorp Loan Fund	<u>461,000</u>	<u>1.15%</u>	<u>10,000</u>	<u>0.07%</u>
Total	<u>461,000</u>	<u>1.15%</u>	<u>10,000</u>	<u>0.07%</u>

(7) Other Assets

The detail of other assets is as follows:

	<u>2017</u>	<u>2016</u>
Accounts receivable, from related companies	153,488	420,673
Prepaid taxes	889,150	955,416
Prepaid expenses	6,064	6,000
Other	<u>103,927</u>	<u>29,213</u>
Total	<u>1,152,629</u>	<u>1,411,302</u>

(8) Borrowings Received

At December 31, 2017, the Company had borrowings from a related entity with common ownership aggregating US\$17,101,006 (2016: US\$14,642,830). Such borrowings were match funded with assets from the Company's loan held for sale portfolio and deposit with banks, and are paid off when such loans held for sale are participated or are paid or pre-paid.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(8) Borrowings Received, continued

The Company's borrowing as of December 31, is as follow:

<u>Balance</u>	<u>2017</u> <u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>	<u>2016</u> <u>Interest Rate</u>	<u>Maturity Date</u>
5,000	6.00%	February 21, 2018	215,000	6.00%	January 23, 2017
700,000	6.00%	February 27, 2018	500,000	6.00%	February 15, 2017
25,000	6.00%	March 4, 2018	29,766	6.00%	March 8, 2017
5,498	6.00%	March 5, 2018	1,920,000	6.00%	March 27, 2017
579,365	6.00%	March 20, 2018	500,000	6.00%	April 19, 2017
271,728	6.00%	March 31, 2018	202,000	6.00%	May 10, 2017
340,708	6.00%	April 3, 2018	200,000	6.00%	May 15, 2017
550,000	6.00%	April 10, 2018	500,000	6.00%	May 22, 2017
150,000	6.00%	April 14, 2018	2,000,000	6.00%	May 30, 2017
25,000	6.00%	April 16, 2018	900,000	6.00%	June 5, 2017
768,632	6.00%	April 18, 2018	876,064	6.00%	June 18, 2017
50,000	6.00%	April 30, 2018	800,000	6.00%	June 28, 2017
55,000	6.00%	May 6, 2018	3,000,000	6.00%	November 15, 2019
513,465	6.00%	May 13, 2018	3,000,000	6.00%	November 17, 2019
100,000	6.00%	May 16, 2018			
71,435	6.00%	May 20, 2018			
1,999,362	6.00%	May 21, 2018			
500,000	6.00%	May 23, 2018			
200,000	6.00%	May 28, 2018			
105,000	6.00%	May 29, 2018			
12,770	6.00%	June 12, 2018			
3,053,043	6.00%	June 20, 2018			
1,020,000	6.00%	June 27, 2018			
3,000,000	6.00%	November 15, 2019			
<u>3,000,000</u>	6.00%	November 17, 2019			
<u>17,101,006</u>			<u>14,642,830</u>		

(9) Other Liabilities

The detail of other liabilities is as follows:

	<u>2017</u>	<u>2016</u>
Accounts payable	173,191	372,349
Unearned interest payable	72,283	0
Income tax payable (See note 10)	6,875	0
Total	<u>252,349</u>	<u>372,349</u>

(10) Income Tax

Hencorp Panamá S. de R. L.

Hencorp Panama is taxed under the general rules of determination and payment of income tax of the Republic of Panama as provided by Article 699 of the Tax Code, as amended by Article 9 of Law 8 of March 15, 2010 with effect from January 1, 2010, which establishes a tax on income of 25% of the greater of the following two calculations:

- Net taxable income calculated by the traditional method established in the fourth book of the Tax Code; or

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(10) Income Tax, continued

- For the companies with annual taxable income over one million five hundred thousand Balboas (B/.1,500,000) will pay income tax on the greater of resulting from applying four point sixty-seven percent (4.67%) to total taxable income.

Under current tax regulations, the income tax returns of the Hencorp Panama are subject to examinations by local tax authorities for the last three (3) years. Under current tax regulations, the companies incorporated in Panama are exempted from tax caused on income from foreign operations, from interest earned on term deposits at local banks, from debt securities of the Panamanian Government, and from investments in bonds listed with the Superintendence of Market Securities, and listed in Bolsa de Valores de Panamá, S. A.

At the date of the consolidated financial statements, the transactions of the Hencorp Panama are mostly exempt transactions, so it has not generated taxable income subject to the payment of income tax. The directors do not anticipate the Company to be carrying on business in the Republic of Panama.

Hencorp Barbados

The subsidiary Hencorp Barbados are subject to income tax in accordance with the tax legislation of Barbados.

Hencorp Barbados reports its provision for corporate income taxes in its Statement of Profit or Loss and Other Comprehensive Income based upon transactions recorded in its financial statements regardless of when they are recognised for income tax purposes. The Company's profits are subject to income tax at decreasing rates of 2.5% to 0.25% depending on the level of such profits.

Hencorp Barbados effective tax rate differs from the statutory corporation tax rate of 2.5% as follows:

	<u>2017</u>	<u>2016</u>
Income before taxation	<u>177,716</u>	<u>174,285</u>
Tax calculated at 2.5%	<u>4,443</u>	<u>4,357</u>
Deferred taxes not recognized	<u>33</u>	<u>(4,357)</u>
Tax charge	<u>4,476</u>	<u>0</u>

Hencorp Europe

Hencorp Europe incorporated in Spain is subject to income tax in accordance with the tax legislation in this country.

The Company is subject to inspection for exercises not prescribed. This could lead to different interpretations by the Administration on the profits presented, never the less should not be significant differences in relation to income tax according to the accounting criteria used in the taxable base.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(10) Income Tax, continued

The calculation of income tax and the fee payable tax credit in favor of the Company, has been performed according to following table:

	<u>2017</u>	<u>2016</u>
Net income after taxes	2,844,656	2,713,909
(+) International withholding taxes	<u>939,051</u>	<u>914,141</u>
Taxable Income	<u>3,783,707</u>	<u>3,628,050</u>
Corporate income tax December 31 (25%)	<u>945,927</u>	<u>909,268</u>
(-) Tax credit for international withholding taxes	<u>(939,052)</u>	<u>(1,006,042)</u>
Income tax payable December 31	<u>6,875</u>	<u>(96,774)</u>

Income tax liabilities have been properly recorded and accounted for.

The debtors assume any remittance taxes that arise from loans payments to the Company.

(11) Other Expenses

The detail of other expenses is as follows:

	<u>2017</u>	<u>2016</u>
Gain net in foreign currency exchange	0	45,625
Other taxes	7,097	19,017
Legal fees	4,219	4,183
Other	<u>42,054</u>	<u>2,565</u>
Total	<u>53,370</u>	<u>71,390</u>

(12) Fair Value of Financial Instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as 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 instrument that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(12) Fair Value of Financial Instruments, continued

The fair value and carrying amount of financial assets are as follows:

	2017		2016	
	Level 3		Level 3	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Financial Liabilities:				
Borrowings	<u>17,101,006</u>	<u>16,294,063</u>	<u>14,642,830</u>	<u>14,218,718</u>
	<u>17,101,006</u>	<u>16,294,063</u>	<u>14,642,830</u>	<u>14,218,718</u>

Loans held for sale with maturities of less than one year, it has been considered that its fair value is not significantly different from its carrying amount.

Investment in Funds, it has been estimated that their carrying amount does not differ significantly from its market value at December 31, 2017.

The valuation technique and significant inputs used in the recurring fair value measurements of the investment in fund was the Net Asset Value extracted of the audited financial statement as of August 31, 2017 under IFRS.

The Company's management believes that changing any non-observable input data listed in the table above to reflect reasonable and potential alternate assumptions would not result in significant changes in the estimated fair value.

The valuation technique and significant inputs used in the financial liabilities not measured at fair value, classified in the fair value hierarchy as Level 3, are described in the table below:

Financial Instrument	Valuation techniques and inputs used
Borrowings received	Discounted cash flows using current interest rates for financing of new obligations with similar remaining maturities.

(13) Equity

The Company has an authorized capital of 10,000 shares with nominal value of US\$100 issued and paid.

HENCORP PANAMA, S. DE R.L. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Balances and Transactions with Related Parties

The consolidated statement of financial position and the consolidated statement of income include balances and transactions with related parties, which are summarized below:

	<u>2017</u>	<u>2016</u>
<u>Assets:</u>		
Investment in fund	<u>461,000</u>	<u>10,000</u>
Other assets	<u>153,488</u>	<u>420,673</u>
<u>Liabilities:</u>		
Accrued interest payable	<u>5,586</u>	<u>1,598</u>
Borrowings received	<u>17,101,006</u>	<u>14,642,830</u>
Account payable	<u>247,030</u>	<u>372,349</u>
<u>Revenue:</u>		
Dividends	<u>107,810</u>	<u>26,782</u>
<u>Interest expenses:</u>		
Borrowings received	<u>964,695</u>	<u>603,057</u>

(15) Contingencies

According to the best knowledge of the Management, the Company is not involved in litigation or claims that can or will cause a material adverse effect on its business, consolidated statement of financial position or consolidated statement of income.