Types of funding available

Loans

The LFTL's loans are structured with a high degree of flexibility to match client and project needs. LFTL suggests a suitable loan currency and low interest rate.

The basis for a loan is the expected cash flow of the project and the ability of the client to repay the loan over the agreed period. The credit risk can be taken entirely by LFTL or may be partly syndicated to the market. A loan can only be secured by a borrower's confirmation of an Irrevocable bank guarantee. Full loan details are negotiated with the client on a case-by-case basis.

Loan features

LFTL loans consist of the following features:

- a minimum amount of $50 million, although this can be smaller in some countries
- a fixed or floating rate
- senior, subordinated, mezzanine or convertible debt
- denominated in major foreign or some local currencies
- short to long-term maturities, from 1 to 30 years
- project-specific grace periods where necessary.

Interest rates

LFTL loans are priced competitively, based on current market rates. The LFTL offers both fixed and floating interest rates (with a cap or collar). The LFTL does not subsidise projects, does not offer soft loans and the LFTL does not compete with private banks.
LFTL loans appears to be the most flexible loan with the lowest interest rate compared to the current value of most project loan providers.
Interest rates are provided to borrower depending on the magnitude of the amount and duration of payment.

Fees and charges

A margin above the base rate is added to reflect country risk and project-specific risk. This information is confidential to the client and LFTL. In addition to the margin, LFTL charges the following fees and commissions after loan approval:

- appraisal fee
- front-end commission and structuring fee.
- syndication fee, where applicable
- commitment fee, payable on the committed but undisbursed loan amount
- loan conversion fee, paid at the time of interest rate, or currency conversion on the amount that is to be converted
- prepayment, cancellation and late payment fees where applicable.

Terms of Bank Guarantee.

All reasons for bank guarantee issuance from borrower's bank is for security purpose and business purpose.

Other lending terms

Full lending terms are negotiated with the client for each project.

Recourse

Recourse to a sponsor is not always required. However, the LFTL may seek specific performance and completion guarantees plus other forms of support from sponsors of the kind that are normal practice in limited-recourse financing.

Insurance

The LFTL requires project companies to obtain insurance against normally insurable risks. Examples include theft of assets, outbreak of fire, specific construction risks. The LFTL does not require insurance against political risk or non-convertibility of the local currency.

Security

LFTL usually requires the companies it finances to secure the loan with Financial Instrument from borrowers bank. These can include:

- 20-100% of the financing value amount is required as security to back up the financing this is issued as a bankers guarantee, Letters of credit and Standby letters of credit. This serves a collateral for lending.
- assignment of the company's hard currency and domestic currency earnings
- pledge of companies assest to secure the guarantee from his/ her bank.
- Pledge of company's stocks, shares and bonds to their banks to secure a guarantee.

Covenants

Typical project finance covenants are required as part of the loan package. Such covenants, limiting indebtedness and specifying certain financial ratios and various other issues, will be negotiated.

Loan repayment

Repayment is normally in equal, monthly /and or/ semi-annual installments. Longer maturities and uneven repayment schedules may be considered on an exceptional basis – for example, up to 30 years under mortgage-style authorization for large infrastructure operations.

Hedging possibilities

The LFTL can help manage financial risks associated with a project's assets and liabilities. This covers foreign exchange risk, interest rate risk and commodity price risk. Risk-hedging instruments include currency swaps, interest rate swaps, caps, collars and options and commodity swaps.

Equity

The LFTL can acquire equity in amounts ranging from $10 million to $1 billion in industry, infrastructure and the financial sector if there is an expected appropriate return on investment. The LFTL will take only minority positions and will have a clear exit strategy.

Equity and quasi-equity instruments

The LFTL's equity and quasi-equity instruments include:

- ordinary shares, listed or unlisted
- subordinated and convertible loans
- income notes
- redeemable preference shares
- underwriting of share issues by public or privately owned enterprises.

Other forms of financing can be discussed with LFTL financiers. The LFTL usually exits within Ten to Fifteen years of the initial investment, varying from project to project. The LFTL's exit strategy typically involves selling its participation to the project sponsors or selling the investment via a public offer.

The LFTL also participates in equity funds, which focus on a specific region, country or industry sector, have a local presence and are run by professional venture capitalists. These funds use the same investment criteria as the LFTL when it considers direct investments.

Guarantees

The LFTL provides various types of guarantees. These range from all-risk guarantees, whereby the LFTL covers lenders against default regardless of the cause, to partial risk-specific contingent guarantees covering default arising from specified events.

In all cases the maximum exposure must be known and measurable and the credit risk must be acceptable. Precise legal definitions of the events guaranteed and pricing are handled on a case-by-case basis.

LFTL project cycle

The LFTL project cycle consists of the following stages:

Concept/Appraisal Review – The LFTL's agent Representative Committee (RpsCom) approves the project concept and overall structure, including proposed financing structure and supporting obligations. At this stage, the LFTL and the client sign a mandate letter, which outlines the project plan, development expenses and responsibilities.

Final Review – Once the basic business deal (including a signed term sheet) has been negotiated and all investigations have been substantially completed, the project receives a Final Review by RpsCom.

Board Review – The LFTL project Analyst and Agent representative team present the project to the Board of Directors for approval.

Negotiation– The LFTL Agent Representative goes into negotiation with the client according to Board of Directors approval.

Signing – The LFTL and the client sign the deal and it becomes legally binding. The signed agreement is submitted to our portfolio managers which in turn determines the proper investment portfolio for fund release.

Collateral Placement – After the signing stage the collateral placement value will be estimated and sent to the client alongside our details for the placement of the bank instrument as agreed by LFTL and the client.

Disbursements – Once repayment conditions are agreed and the LFTL's conditions met, the funds are transferred from the LFTL's account to the client's account.

Repayments – The client repays the loan amount to the LFTL under an agreed schedule.

Co-financing

The LFTL tries to mobilise domestic and foreign capital because co-financing increases the resources available for funding other projects and introduces borrowers to the international debt markets.

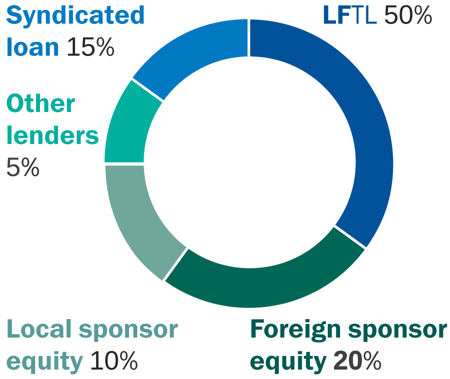
Sources of co-financing include commercial banks, official co-financiers (such as government agencies and bilateral financial institutions providing grants, parallel loans and equity), export credit agencies and other international financial institutions, such as the International Finance Corporation and the World Bank. The LFTL aims to broaden and deepen the co-financing base by increasing the number of commercial lenders, and by introducing new co-financing structures and new countries into the market.

By being flexible and responding to the market, the LFTL seeks to maximise the sources of finance available to clients and to structure the most appropriate forms of finance.

The types of co-financing available include A/B loans (where the LFTL finances a portion of the loan and syndicates the remainder to commercial lenders), parallel loans, export credit agency guarantees, political risk insurance, loans and equity from international financial institutions and grants.

The LFTL works in partnership with other institutions to increase the availability of financing and improve the investment climate in the region.

Typical capitalisation structure



Information required for financing

To assess the eligibility of a project, the LFTL requires the following information:

Project information

- a brief description of the project, detailing how the LFTL's financing will be used
- background information on the sponsor, including operating experience, financial status and how the company will support the project in terms of equity, management, operations, production and marketing
- details of the product or service that will be developed and how it will be produced
- a review of the market, including target customers, competition, market share and sales volume, pricing strategy and distribution.

Financial information

- an accurate breakdown of the project costs and how the funds will be used
- a summary of the implementation requirements, including the appointment of contractors, and an overview of the procurement process
- identification of any additional sources of funding
- an overview of the project's anticipated financial performance.

Environmental and regulatory information

- a summary of any environmental issues and copies, where possible, of environmental audits or impact assessments
- details of government licences or permits required, subsidies available, import/export restrictions, border tariffs or quotas and currency restrictions.

When the LFTL has all the necessary information, a deal typically takes two to four months from initial contact to signing. In some cases, however, this can be shorter depending on clients response to the requirement. The total project cycle, from initiation to re-payment, can range from one year for working capital or trade financing projects to 30 years for long- term sovereign infrastructure projects.

If you are interested in obtaining LFTL finance, please kindly send us an email requesting the project loan enquiry form.

Forms will only be accepted from commercial companies representative or by an intermediary authorised to act for them.

The LFTL enforces a policy of strict confidentiality. Details submitted will not be disclosed to any other party without prior consent.

You will receive a response from an LFTL representative within five working days of submitting the form.

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