

**Company Registration Number: 6292126**

**LAF Capital Limited**

**Annual Report  
31 December 2020**

**Contents:**

<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>4</b>
<b>Independent Auditor's Report</b>	<b>6</b>
<b>Statement of Comprehensive Income – Technical Account – general business</b>	<b>9</b>
<b>Statement of Comprehensive Income – Non Technical Account</b>	<b>10</b>
<b>Statement of Financial Position</b>	<b>11</b>
<b>Statement of Changes in Equity</b>	<b>13</b>
<b>Statement of Cash Flows</b>	<b>14</b>
<b>Analysis of Net Debt</b>	<b>15</b>
<b>Notes to the Financial Statements</b>	<b>16</b>

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## **LAF Capital Limited Company Information**

### **Directors**

Dr L A Fuchs  
Mr G B Hudson  
Mr M W Webb

### **Members' Agent**

Argenta Private Capital Limited  
(Regulated by the Financial Conduct Authority)

### **Company Secretary**

Argenta Secretariat Limited

### **Registered Office**

5th Floor, 70 Gracechurch Street  
London  
EC3V 0XL

### **Auditors**

PKF Littlejohn LLP  
15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

# LAF Capital Limited

## Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2020.

### Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's Corporate Capital Member.

The Financial Statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2018, 2019 and 2020 years of account, as well as any 2017 and prior run-off years. The 2018 year closed at 31 December 2020 with a result of £(112,434) (2017 - £(118,804)). The 2019 and 2020 open underwriting accounts will normally close at 31 December 2021 and 2022 respectively.

### Results and Dividends

The results for the year are set out on pages 9 to 10 of the Financial Statements. Dividends totalling £Nil were paid in the year (2019 - £Nil).

### Financial Risk Management Objectives and Policies

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Hedge accounting is not used by the Company.

### Key Performance Indicators

	2020	2019
Capacity (youngest underwriting year)	£ 2,788,886	£ 2,741,260
Gross premium written as a % of capacity	115.2%	111.4%
Underwriting profit of latest closed year:		
as a % of capacity	-4.1%	-4.8%
Run-off years of account movement	£ -	£ -
Combined ratio	108.8%	99.5%

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

### Principal Risks and Uncertainties

#### Brexit

The UK left the EU on 31 January 2020 and negotiations in respect of the EU-UK Trade and Cooperation Agreement ("the Agreement") concluded on 24 December 2020, with the Agreement becoming effective from 1 January 2021. The Agreement consists of a Free Trade Agreement, a close partnership on citizens' security and an overarching governance framework. From 1 January 2021, UK financial services firms no longer have passporting rights allowing them to sell their services into the EU from their UK base without the need for additional regulatory clearances. In preparation for this, on 25 November the English High Court sanctioned a Part VII transfer of all policies insuring EEA risks from the syndicates to Lloyd's Insurance Company, Brussels. The Directors are monitoring the implications of the Part VII transfer along with general market conditions to identify whether it is appropriate to make any changes to the current strategy of the Company.

#### Coronavirus

The COVID-19 pandemic continues to affect the UK and global economies adversely. At the time of signing this report there are indications from the government that social restrictions which have suppressed economic activity during 2020 and 2021 are likely to be lifted in the foreseeable future. If this does happen the directors expect to see the UK and global economies return to growth in due course, but it is not possible to predict how quickly and to what degree this may happen. The priority of the directors is to remain to comply with all regulatory requirements to the fullest extent possible.

## LAF Capital Limited Strategic Report (continued)

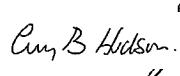
### Section 172(1) Statement

The Directors have considered the matters set out in Section 172(1)(a) to (f) when performing their duties and comments as follows:

- a) The Company continues to operate in the Lloyd's insurance market. The majority of its activities are carried out by the syndicates on which it participates. The Company is not involved directly in the management of the syndicates' activities, as these are the responsibility of the Managing Agents.
- b) Other than the Directors the Company has no employees. The Directors do not receive any remuneration from the Company.
- c) The Company's only suppliers are those who provide services for the administration of the Company. The Directors ensure supplier invoices are paid on time in line with any agreed terms.
- d) The Company's operations do not by their very nature produce significant environmental emissions.
- e) The Company and the syndicates are required to operate within the guidelines and code of conduct of the Lloyd's market. Behind the Lloyd's market is the Lloyd's Corporation, an independent organisation and regulator that acts to protect and maintain the market's reputation and provides services and original research, reports and analysis to the industry's knowledge base. The Directors ensure compliance with relevant legislation and promote high standards of business conduct.
- f) The Directors work very closely with the Members of the Company to discuss all significant decisions including the level of participation on the syndicates.

More information on this can be found at [www.argentagroup.com/Section172](http://www.argentagroup.com/Section172).

Approved by the Board on 16th September 2021  
and signed on its behalf by:



<sup>6</sup> Digitally signed by Guy  
Date: 2021.09.17  
11:11:32 +01'00'

G B HUDSON  
Director

## **LAF Capital Limited**

### **Report of the Directors**

The Directors submit their Report together with the audited Financial Statements of the Company for the year ended 31 December 2020.

#### **Principal Activities**

The principal activity of the Company is that of trading as a Lloyd's Corporate Capital Member. The Company continues to underwrite for the 2021 year of account.

#### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, Report of the Directors' and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Accounting Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Directors**

The Directors who served at any time during the year and to the date of this report were as follows:

Dr L A Fuchs  
Mr G B Hudson  
Mr M W Webb

## **LAF Capital Limited**

### **Report of the Directors (continued)**

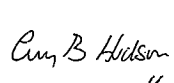
#### **Auditors**

PKF Littlejohn LLP have been appointed as auditors to the Company during the year, Mazars LLP have resigned as the Company's auditors.

**In the case of each of the persons who are Directors at the time this report is approved, the following applies:**

- a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 16th September 2021  
and signed on its behalf by:

 Digitally signed by Guy  
Date: 2021.09.17  
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G B HUDSON

Director

# **LAF Capital Limited**

## **Independent Auditor's Report**

### **Independent auditor's report to the members of LAF Capital Limited**

#### **Opinion**

We have audited the Financial Statements of LAF Capital Limited (the 'Company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **LAF Capital Limited**

### **Independent Auditor's Report (continued)**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

#### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and 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.

In preparing the Financial Statements, the Directors are 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 the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



## **LAF Capital Limited**

### **Independent Auditor's Report (continued)**

#### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's 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 (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The procedures we have undertaken to detect irregularities, including fraud, are detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussion with management and the application of our knowledge and experience of the sector in which the company operates in. We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006, Lloyd's byelaws as they relate to the company and UK taxation legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
  - discussion with management of any known, or suspected instances, of non-compliance by the company with those laws and regulations;
  - discussion with management of any, or suspected, incidence of fraud;
  - review of the financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
  - review of the minutes of the board of directors and other correspondence as we deemed appropriate; and
  - review and testing of the system of controls established by management to ensure the accuracy of the financial statements.
- We identified the risks of material misstatement of the financial statements due to fraud as being those arising from management override of controls. We have addressed this risk by performing audit procedures which included, but were not limited to, the testing of journals, reviewing material accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business that came to our attention.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of the audit report**

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.

*TUE Seaman*

**Thomas Seaman (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**

15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

Date: 21/09/2021

**LAF Capital Limited**  
**Statement of Comprehensive Income**  
**Technical Account – general business**  
**For the year ended 31 December 2020**

	Note	2020 £	2019 £
<b>Premiums</b>			
Gross premiums written	1	3,212,882	3,053,341
Outward reinsurance premiums	1	(1,039,982)	(823,910)
<b>Net premiums written</b>		<u>2,172,900</u>	<u>2,229,431</u>
<b>Change in the provision for unearned premiums</b>			
Gross provision	1	(88,222)	(124,195)
Reinsurers' share	1	101,792	64,486
<b>Earned premiums, net of reinsurance</b>		<u>2,186,470</u>	<u>2,169,722</u>
<b>Allocated investment return transferred from the non-technical account</b>		69,981	88,481
Other technical income, net of reinsurance		-	110
<b>Claims paid</b>			
Gross amount	1	(1,830,911)	(1,612,012)
Reinsurers' share	1	504,217	447,904
<b>Net claims paid</b>		<u>(1,326,694)</u>	<u>(1,164,108)</u>
<b>Change in provision for claims</b>			
Gross amount	1	(464,309)	(348,752)
Reinsurers' share	1	230,653	193,359
<b>Change in net provision for claims</b>		<u>(233,656)</u>	<u>(155,393)</u>
<b>Claims incurred, net of reinsurance</b>		(1,560,350)	(1,319,501)
<b>Changes in other technical provisions, net of reinsurance</b>		(2,638)	(5,278)
Net operating expenses	1,2	(818,917)	(838,246)
Other technical charges, net of reinsurance	1	-	-
<b>Balance on the technical account for general business</b>		<u>(125,454)</u>	<u>95,288</u>

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

**LAF Capital Limited**  
**Statement of Comprehensive Income**  
**Non Technical Account**  
**For the year ended 31 December 2020**

	Note	2020 £	2019 £
<b>Balance on technical account for general business</b>		(125,454)	95,288
Investment income	3	70,335	89,179
Allocated investment return transferred to the general business technical account		(69,981)	(88,481)
Other income		6,217	811
Other charges, including value adjustments		(47,276)	(36,160)
<b>(Loss)/profit on ordinary activities before taxation</b>	4	<u>(166,159)</u>	<u>60,637</u>
Tax on (loss)/profit on ordinary activities	5	39,734	(12,285)
<b>(Loss)/profit for the financial year</b>		<u>(126,425)</u>	<u>48,352</u>
<b>Other comprehensive (expenditure)/income:</b>			
Currency translation differences		4,779	7,774
Tax on other comprehensive income		(908)	(1,350)
<b>Total comprehensive (expenditure)/income</b>	10	<u>(122,554)</u>	<u>54,776</u>

All amounts relate to continuing operations.

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

**LAF Capital Limited**  
**Statement of Financial Position**  
**As at 31 December 2020**

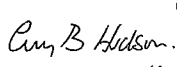
		31 December 2020			31 December 2019		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	6	-	16,448	16,448	-	34,853	34,853
<b>Investments</b>							
Other financial investments	7	2,408,000	-	2,408,000	2,195,409	-	2,195,409
Deposits with ceding undertakings		237	-	237	249	-	249
		2,408,237	-	2,408,237	2,195,658	-	2,195,658
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums	8	401,022	-	401,022	309,838	-	309,838
Claims outstanding	8	1,552,447	-	1,552,447	1,344,851	-	1,344,851
Other technical provisions		-	-	-	2,640	-	2,640
		1,953,469	-	1,953,469	1,657,329	-	1,657,329
<b>Debtors</b>							
Amounts falling due within one year	7	1,457,224	420,638	1,877,862	1,194,239	464,679	1,658,918
Amounts falling due after one year	7	84,715	-	84,715	188,547	68,940	257,487
		1,541,939	420,638	1,962,577	1,382,786	533,619	1,916,405
<b>Other assets</b>							
Cash at bank and in hand		228,350	612	228,962	243,918	778	244,696
Other		212,594	-	212,594	186,535	-	186,535
		440,944	612	441,556	430,453	778	431,231
<b>Prepayments and accrued income</b>							
Accrued interest		4,154	-	4,154	4,489	-	4,489
Deferred acquisitions costs	8	376,210	-	376,210	366,278	-	366,278
Other prepayments and accrued income		16,639	-	16,639	19,067	-	19,067
		397,003	-	397,003	389,834	-	389,834
<b>Total assets</b>		6,741,592	437,698	7,179,290	6,056,060	569,250	6,625,310

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

**LAF Capital Limited**  
**Statement of Financial Position**  
**As at 31 December 2020**

		31 December 2020			31 December 2019		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	9	-	1	1	-	1	1
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	-	-	-	-	-
Profit and loss account	10	(362,021)	404,983	42,962	(366,366)	531,882	165,516
<b>Shareholders' funds – attributable to equity interests</b>		<b>(362,021)</b>	<b>404,984</b>	<b>42,963</b>	<b>(366,366)</b>	<b>531,883</b>	<b>165,517</b>
<b>Technical provisions</b>							
Provision for unearned premiums	8	1,459,186	-	1,459,186	1,404,016	-	1,404,016
Claims outstanding	8	4,538,254	-	4,538,254	4,116,968	-	4,116,968
Other technical provisions		-	-	-	-	-	-
<b>Provisions for other risks</b>							
Deferred taxation	11	-	-	-	-	-	-
Other		739	-	739	766	-	766
<b>Deposit received from reinsurers</b>		<b>78,325</b>	<b>-</b>	<b>78,325</b>	<b>110,767</b>	<b>-</b>	<b>110,767</b>
<b>Creditors</b>							
Amounts falling due within one year	7	646,867	13,045	659,912	553,685	18,388	572,073
Amounts falling due after one year	7	279,886	-	279,886	159,728	-	159,728
		<b>926,753</b>	<b>13,045</b>	<b>939,798</b>	<b>713,413</b>	<b>18,388</b>	<b>731,801</b>
<b>Accruals and deferred income</b>		<b>100,356</b>	<b>19,669</b>	<b>120,025</b>	<b>76,496</b>	<b>18,979</b>	<b>95,475</b>
<b>Total liabilities</b>		<b>6,741,592</b>	<b>437,698</b>	<b>7,179,290</b>	<b>6,056,060</b>	<b>569,250</b>	<b>6,625,310</b>

Approved and authorised for issue by the Board of Directors on  
16th September 2021 and signed on its behalf by:

 Digitally signed by Guy  
Date: 2021.09.17  
11:12:03 +01'00'

G B HUDSON  
Director

Company registration number: 6292126

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

**LAF Capital Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2020**

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
<b>Opening balance</b>	1	-	-	110,740	-	110,741
Profit for the year	-	-	-	48,352	-	48,352
Other comprehensive income	-	-	-	6,424	-	6,424
<b>Total comprehensive income</b>	-	-	-	54,776	-	54,776
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
<b>As at 31 December 2019</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>165,516</b>	<b>-</b>	<b>165,517</b>
Loss for the year	-	-	-	(126,425)	-	(126,425)
Other comprehensive income	-	-	-	3,871	-	3,871
<b>Total comprehensive expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(122,554)</b>	<b>-</b>	<b>(122,554)</b>
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
<b>As at 31 December 2020</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>42,962</b>	<b>-</b>	<b>42,963</b>

Called up share capital represents the nominal value of shares that have been issued.

Capital redemption reserve records the nominal value of shares repurchased by the Company.

The share premium account records the amount above the nominal value received for shares issued, less transaction costs.

The profit and loss account represents cumulative profits and losses of the Company.

Capital contribution reserve relates to contributions to the equity capital of the Company.

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

**LAF Capital Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2020**

	2020 £	2019 £
<b>Operating activities</b>		
(Loss)/profit on ordinary activities before tax	(166,159)	60,637
Loss/(profit) attributable to Syndicate transactions	434	(65,548)
Loss - excluding Syndicate transactions	(165,725)	(4,911)
Adjusted for:		
Decrease in debtors	152,465	35,870
Increase/(decrease) in creditors	689	(17,434)
Loss on disposal of intangible assets	-	(580)
Amortisation of Syndicate capacity	18,405	19,205
Realised/unrealised gains on investments	-	-
Investment income	(354)	(698)
Corporation and overseas taxes paid	(6,000)	(36,689)
Net cash outflow from operating activities	(520)	(5,237)
<b>Investing activities</b>		
Investment income	354	698
Purchase of Syndicate capacity	-	-
Proceeds from sale of Syndicate capacity	-	580
Purchase of financial investments	-	-
Proceeds from sale of financial investments	-	-
Net cash inflow from investing activities	354	1,278
<b>Financing activities</b>		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	-	-
Net cash inflow from financing activities	-	-
Net cash decrease in cash and cash equivalents	(166)	(3,959)
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	778	4,737
Cash and cash equivalents at the end of the year	612	778
Consisting of:		
Cash at bank and in hand	612	778
Cash equivalents	-	-
	612	778

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the cash flow statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

**LAF Capital Limited**  
**Analysis of Net Debt**  
**For the year ended 31 December 2020**

	<b>At 1 January 2020</b>	<b>Cash flows</b>	<b>At 31 December</b>
	<b>£</b>	<b>£</b>	<b>2020</b>
			<b>£</b>
Cash at bank and in hand	778	(166)	612
Debt due within one year	(13,045)	-	(13,045)
Debt due after one year	-	-	-
	<b>(12,267)</b>	<b>(166)</b>	<b>(12,433)</b>

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.



# **LAF Capital Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 December 2020**

#### **Basis of preparation of Financial Statements**

##### **General information**

The Company is a private company limited by shares and incorporated in England, United Kingdom.

The Financial Statements have been presented in Pounds Sterling ("Sterling") as this is the Company's functional currency, being the primary economic environment in which the Company operates.

##### **Basis of preparation**

These Financial Statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*, FRS103 *Insurance Contracts* and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410"). These Financial Statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

##### **Recognition of insurance transactions**

The Company recognises its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates") in aggregation with the transactions undertaken by the Company at entity level ("the Corporate").

The Financial Statements are prepared using the annual basis of accounting. Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate Participation"). The Syndicate's assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the Syndicate's total capacity.

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company.

##### **Sources of data**

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are consistent with the audited annual reports to Syndicate members.

The format of the Returns is established by Lloyd's. Lloyd's collates this data at a Syndicate level analysing it into corporate member level results which reflects the relevant data in respect of all the Syndicates in which the Company participates.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**Accounting policies**

**i Going concern**

These Financial Statements have been prepared on a going concern basis.

**ii Premiums**

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter - Syndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

**iii Claims incurred**

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

**iv Provision for claims outstanding**

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions with regards to claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The Directors consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events, and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the Financial Statements for the period in which the adjustments are made.

**v Unexpired risk provision**

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

**vi Deferred acquisition costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**Accounting policies (continued)**

**vii Reinsurance to close**

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another Syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of:

- (1) a premium; and
  - (2) either
- (a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
  - (b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

**viii Financial instruments**

The Company has chosen to apply the provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments* in full.

The Company holds both basic and non-basic financial instruments. The Company's financial instruments comprise of cash and cash equivalents, trade and other debtors, trade and other creditors and investments in a variety of basic and non-basic financial instruments, through both the Corporate and through the Syndicates.

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**Accounting policies (continued)**

**viii Financial instruments (continued)**

Basic financial instruments are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment in the case of financial assets. Amounts that are receivable/payable within one year are measured at the undiscounted amount of the cash expected to be received/settled. Financial instruments subsequently measured at amortised cost include cash, debtors and creditors.

Where a financial instrument constitutes a financing transaction, it is initially measured at the present value of the future payments, discounted at a market rate of interest, and subsequently measured at amortised cost using the effective interest rate method.

All other financial instruments are measured at fair value through profit or loss, except for investments in equity instruments that are not publicly traded, and whose fair value cannot otherwise be measured reliably, which are measured at cost less impairment.

At the end of each reporting year, the Company assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in the profit and loss.

Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

Interest income is recognised as it accrues using the effective interest method.

Dividend income receivable is recognised when the rights to receive the distributions have been established.

**ix Derivative financial instruments**

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

**x Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Overdrafts are reported separately in creditors.

**xi Derecognition of financial assets**

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognises an associated liability.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**Accounting policies (continued)**

**xii Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**xii Net operating expenses**

Operating expenses are recognised when incurred. They include the Company's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

**xiv Foreign currencies**

Transactions in United States Dollars, Canadian Dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States Dollars, Canadian Dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into, except for non-monetary assets and liabilities arising out of insurance contracts which are treated as monetary items in accordance with FRS 103 *Insurance Contracts* ("FRS 103"). Exchange differences arising on translation to the functional currency are dealt with through the non-technical account in the profit and loss account.

**xv Intangible assets**

Intangible assets include purchased rights to participate on Syndicates. The purchase cost is capitalised and amortised on a straight line basis over the useful life of the rights which is five years.

**xvi Insurance contracts – product classification**

Insurance contracts are those contracts when the Company (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

**xvii Taxation**

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these Financial Statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these Financial Statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the Financial Statements of subsequent periods.

**xviii Deferred taxation**

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the Financial Statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the Financial Statements.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**Accounting policies (continued)**

**xviii Deferred taxation (continued)**

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**xix Critical accounting judgements and key sources of estimated uncertainty**

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate. The critical accounting judgements and key sources of estimation uncertainty set out below therefore relate to those made by the Directors in respect of the Corporate only, and do not include estimates and judgements made in respect of the Syndicates.

**Critical accounting judgements**

The critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the statutory Financial Statements are discussed below.

*Assessing indicators of impairment*

In assessing whether there have been any indicators of impairment assets, the Directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Impairment review*

The impairment of the Syndicate Assets is performed by the Syndicate themselves. The Directors perform an impairment review when indications of impairment arise.

*Recoverability of receivables*

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

*Determining the useful life of purchased Syndicate capacity*

The Directors have assessed the useful life of syndicate capacity to be five years. This is on the basis that the Directors consider this to be the life over which value is created from the investment made.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**1. Class of Business**

<b>2020</b>	<b>Gross Premiums Written £</b>	<b>Gross Premiums Earned £</b>	<b>Gross Claims Incurred £</b>	<b>Net Operating Expenses £</b>	<b>Reinsurance Balance £</b>	<b>Total £</b>
<b>Direct Insurance</b>						
Accident and health	58,367	60,738	(50,157)	(22,722)	558	(11,583)
Motor – third party liability	44,278	36,648	(26,950)	(7,292)	(2,925)	(519)
Motor – other classes	44,332	141,638	(77,765)	(42,016)	(11,469)	10,388
Marine, aviation and transport	312,928	298,606	(199,303)	(87,757)	11,191	22,737
Fire and other damage to property	916,318	888,245	(776,858)	(256,685)	11,270	(134,028)
Third party liability	823,994	719,972	(437,838)	(187,678)	(84,585)	9,871
Credit and suretyship	84,170	76,703	(172,313)	(17,252)	43,600	(69,262)
Legal expenses	2,381	2,196	(1,045)	(668)	(373)	110
Assistance	-	-	-	-	-	-
Miscellaneous	127	3,168	(1,842)	(1,022)	(4)	300
	2,286,895	2,227,914	(1,744,071)	(623,092)	(32,737)	(171,986)
<b>Reinsurance</b>	925,987	896,746	(551,149)	(195,825)	(170,583)	(20,811)
<b>Total</b>	<b>3,212,882</b>	<b>3,124,660</b>	<b>(2,295,220)</b>	<b>(818,917)</b>	<b>(203,320)</b>	<b>(192,797)</b>

<b>2019</b>	<b>Gross Premiums Written £</b>	<b>Gross Premiums Earned £</b>	<b>Gross Claims Incurred £</b>	<b>Net Operating Expenses £</b>	<b>Reinsurance Balance £</b>	<b>Total £</b>
<b>Direct Insurance</b>						
Accident and health	63,727	67,853	(39,512)	(29,155)	(4,611)	(5,425)
Motor – third party liability	30,860	17,908	(11,667)	(5,555)	(172)	514
Motor – other classes	251,592	246,340	(158,862)	(75,691)	(7,119)	4,668
Marine, aviation and transport	265,267	271,631	(149,551)	(87,982)	(11,984)	22,114
Fire and other damage to property	894,530	826,688	(516,588)	(237,429)	(74,198)	(1,527)
Third party liability	706,149	652,979	(475,959)	(199,314)	2,720	(19,574)
Credit and suretyship	91,209	87,836	(67,500)	(20,862)	706	180
Legal expenses	2,381	2,148	(789)	(1,100)	(134)	125
Assistance	-	-	-	-	-	-
Miscellaneous	6,035	6,321	(5,079)	(2,239)	(13)	(1,010)
	2,311,750	2,179,704	(1,425,507)	(659,327)	(94,805)	65
<b>Reinsurance</b>	741,591	749,442	(535,257)	(178,919)	(23,356)	11,910
<b>Total</b>	<b>3,053,341</b>	<b>2,929,146</b>	<b>(1,960,764)</b>	<b>(838,246)</b>	<b>(118,161)</b>	<b>11,975</b>

All insurance business is underwritten in the United Kingdom in the Lloyd's insurance market. Consequently all insurance contracts are deemed to be concluded in the United Kingdom.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**2. Net Operating Expenses**

	2020 £	2019 £
Acquisition costs	822,372	791,034
Change in deferred acquisition costs	(17,048)	(17,215)
Administrative expenses	117,371	128,922
Reinsurance commissions and profit participations	(156,554)	(109,424)
Personal expenses	52,776	44,929
	<u>818,917</u>	<u>838,246</u>

**3. Investment Income**

	2020 £	2019 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	47,596	55,126
Realised gains and losses	10,965	9,604
Unrealised gains and losses	13,863	26,831
Other	-	-
	<u>72,424</u>	<u>91,561</u>
Financial instruments held at amortised cost:		
Interest	354	698
Other	-	-
	<u>354</u>	<u>698</u>
Investment management expenses, including interest	(2,443)	(3,080)
	<u>(2,443)</u>	<u>(3,080)</u>
	<u>70,335</u>	<u>89,179</u>

**4. (Loss)/profit on Ordinary Activities before Taxation**

	2020 £	2019 £
Operating (loss)/profit is stated after charging:		
Directors' remuneration	-	-
Amortisation of Syndicate capacity	18,405	19,205
Profit on disposal of intangible fixed assets	-	(580)
(Profit)/loss on exchange	(1,636)	724

The Company has no employees and no staff costs are met by the Company.

The Directors are considered to be the key management personnel of the Company.

The auditors charge a fixed fee to Argenta Private Capital Limited of £260 for the provision of the statutory audit.



**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

<b>5. Taxation</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>a. Analysis of Charge in Year included in profit or loss</b>		
Current tax:		
UK corporation tax on (loss)/profit of the year	-	5,342
Adjustment in respect of previous period	(3,003)	447
	<u>(3,003)</u>	<u>5,789</u>
Double taxation relief	-	-
	<u>-</u>	<u>-</u>
Foreign tax	585	483
	<u>585</u>	<u>483</u>
Total current tax	<u>(2,418)</u>	<u>6,272</u>
Deferred tax		
Origination and reversal of timing differences	(31,310)	6,013
Change in tax rate	(6,006)	-
Total deferred tax	<u>(37,316)</u>	<u>6,013</u>
Tax on (loss)/profit on ordinary activities	<u>(39,734)</u>	<u>12,285</u>
<b>b. Analysis of Charge in Year included in other comprehensive income</b>		
Deferred tax		
Origination and reversal of timing differences	908	1,350
Effect of change in tax rate on opening liability or asset	-	-
Total deferred tax	<u>908</u>	<u>1,350</u>
<b>c. Factors affecting tax charge for period</b>		
The tax assessed for the period is different to the standard rate of corporation tax in the UK (19%). The differences are explained below:		
(Loss)/profit on ordinary activities before tax	<u>(166,159)</u>	<u>60,637</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%)	(31,570)	11,521
Effects of:		
Change in deferred tax rate	(6,006)	1,218
Deferred tax asset unrecognised	-	-
Foreign tax	585	391
Expenses and income not deductible for tax purposes	-	-
Other corporation computation adjustments for Lloyds corporate members	260	58
Prior period adjustments	(3,003)	447
Other adjustments	<u>-</u>	<u>-</u>
Total tax (credit)/charge for the period on ordinary activities	<u>(39,734)</u>	<u>12,285</u>

The results of the Company's participation on the 2018, 2019 and 2020 years of account and any calendar year movement on 2017 and prior run-offs, will not be assessed to tax until the year ended 31 December 2021, 2022 and 2023 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

The corporation tax rate for the year ended 31 December 2020 was 19%. The Corporation Tax rate of 19% was enacted with effect from 1 April 2017 and the Finance Act 2016 legislated the UK Corporation Tax rate to decrease to 17% from 1 April 2020. However, on the 17th March 2020, using the Provisional Collection of Taxes Act 1968, the UK Government cancelled the proposed drop in Corporation Tax rate to 17%.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

6.	Intangible Assets	Total £
	<b>Purchased Syndicate Capacity</b>	
	<b>Cost</b>	
	At 1 January 2020	332,143
	Additions	-
	Disposals	-
	At 31 December 2020	332,143
	<b>Amortisation</b>	
	At 1 January 2020	297,290
	Charge	18,405
	Disposals	-
	At 31 December 2020	315,695
	<b>Net Book Value</b>	
	At 31 December 2020	16,448
	At 31 December 2019	34,853

**7. Financial Instruments and Financial Risk Management**

**7.1 Financial Investments**

**Other financial investments – Syndicate participation**

	2020 Market Value £	2020 Cost price £	2019 Market Value £	2019 Cost price £
Shares and other variable yield securities and units in unit trusts	442,314	435,702	432,559	404,945
Debt securities and other fixed income securities	1,826,301	1,803,909	1,645,532	1,636,503
Participation in investment pools	61,496	59,835	57,923	56,969
Loans with credit institutions	985	3,335	1,842	1,829
Derivative financial instruments	4,304	-	3,042	75
Other investments	16,157	11,072	5,287	4,355
Deposits with credit institutions	1,918	1,918	7,129	7,129
Other	54,525	54,197	42,095	42,035
	<u>2,408,000</u>	<u>2,369,968</u>	<u>2,195,409</u>	<u>2,153,840</u>

**Other financial investments – Corporate**

Shares and other variable yield securities and units in unit trusts	-	-
Debt securities and other fixed income securities	-	-
Other investments	-	-
	<u>-</u>	<u>-</u>

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.2 Debtors**

	2020			2019		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Amounts falling due within one year:</b>						
Arising out of direct insurance operations	707,569	-	707,569	668,295	-	668,295
Arising out of reinsurance operations	644,971	-	644,971	445,857	-	445,857
<b>Other Debtors:</b>						
Amounts due from group undertakings	-	321,678	321,678	-	406,266	406,266
Other	104,684	98,960	203,644	80,087	58,413	138,500
<b>Total Amounts falling due within one year</b>	<b>1,457,224</b>	<b>420,638</b>	<b>1,877,862</b>	<b>1,194,239</b>	<b>464,679</b>	<b>1,658,918</b>
<b>Amounts falling due after one year:</b>						
Arising out of direct insurance operations	6,296	-	6,296	6,821	-	6,821
Arising out of reinsurance operations	58,324	-	58,324	155,202	-	155,202
<b>Other Debtors:</b>						
Amounts due from group undertakings	-	-	-	-	-	-
Other	20,095	-	20,095	26,524	68,940	95,464
<b>Total Amounts falling due after one year</b>	<b>84,715</b>	<b>-</b>	<b>84,715</b>	<b>188,547</b>	<b>68,940</b>	<b>257,487</b>
	<b>1,541,939</b>	<b>420,638</b>	<b>1,962,577</b>	<b>1,382,786</b>	<b>533,619</b>	<b>1,916,405</b>

**7.3 Funds at Lloyd's**

The amount of Funds at Lloyd's is represented in the balance sheet as:

	2020			2019		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	7	7	-	7	7
Investments	-	-	-	-	-	-
	<b>-</b>	<b>7</b>	<b>7</b>	<b>-</b>	<b>7</b>	<b>7</b>

Funds at Lloyd's represents assets deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a Lloyd's Deposit Trust Deed which gives Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the Syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.4 Creditors**

	2020			2019		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Amounts falling due within one year:</b>						
Arising out of direct insurance operations	98,754	-	98,754	78,333	-	78,333
Arising out of reinsurance operations	456,382	-	456,382	361,313	-	361,313
Amounts owed to credit institutions	-	-	-	-	-	-
<b>Other creditors:</b>						
Corporation tax	-	-	-	-	5,342	5,342
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	13,045	13,045	-	13,045	13,045
Other creditors	91,731	-	91,731	114,039	1	114,040
Amount due to group undertakings	-	-	-	-	-	-
<b>Total Amounts falling due within one year</b>	<b>646,867</b>	<b>13,045</b>	<b>659,912</b>	<b>553,685</b>	<b>18,388</b>	<b>572,073</b>
<b>Amounts falling due after one year:</b>						
Arising out of direct insurance operations	295	-	295	364	-	364
Arising out of reinsurance operations	209,856	-	209,856	120,964	-	120,964
Amounts owed to credit institutions	-	-	-	-	-	-
<b>Other creditors:</b>						
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	69,735	-	69,735	38,400	-	38,400
Amount due to group undertakings	-	-	-	-	-	-
<b>Total Amounts falling due after one year</b>	<b>279,886</b>	<b>-</b>	<b>279,886</b>	<b>159,728</b>	<b>-</b>	<b>159,728</b>
	<b>926,753</b>	<b>13,045</b>	<b>939,798</b>	<b>713,413</b>	<b>18,388</b>	<b>731,801</b>

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.5 Classification of Financial Instruments**

The tables below set out the Company's financial instruments by classification.

**Other financial investments – Syndicate participation**

	2020			2019		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	2,408,000	-	2,408,000	2,194,601	808	2,195,409
Deposits with ceding undertakings	-	237	237	-	249	249
Insurance debtors	-	713,865	713,865	-	675,116	675,116
Reinsurance debtors	-	703,295	703,295	-	601,059	601,059
Other debtors	-	124,779	124,779	-	106,611	106,611
Cash at bank and in hand	-	228,350	228,350	-	243,918	243,918
Other assets	212,594	-	212,594	186,535	-	186,535
	<b>2,620,594</b>	<b>1,770,526</b>	<b>4,391,120</b>	<b>2,381,136</b>	<b>1,627,761</b>	<b>4,008,897</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	1,101	-	1,101	1,076	-	1,076
Insurance creditors	-	99,049	99,049	-	78,697	78,697
Reinsurance creditors	-	666,238	666,238	-	482,277	482,277
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	161,466	161,466	-	-	-
	<b>1,101</b>	<b>926,753</b>	<b>927,854</b>	<b>1,076</b>	<b>560,974</b>	<b>562,050</b>

**Other financial investments – Corporate**

	2020			2019		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	-	-	-	-	-	-
Other debtors	-	420,638	420,638	-	533,619	533,619
Cash at bank and in hand	-	612	612	-	778	778
Other assets	-	-	-	-	-	-
	<b>-</b>	<b>421,250</b>	<b>421,250</b>	<b>-</b>	<b>534,397</b>	<b>534,397</b>
<b>Financial liabilities</b>						
Other creditors	-	13,045	13,045	-	18,388	18,388
	<b>-</b>	<b>13,045</b>	<b>13,045</b>	<b>-</b>	<b>18,388</b>	<b>18,388</b>

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.5 Classification of Financial Instruments (continued)**

The table below sets out details of the Company's derivative financial instruments.

	2020		2019	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	141,082	4,310	137,756	2,945
Interest rate future contracts	15,226	(6)	30,959	87
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	-	-
Other	-	-	34,834	10
	<b>156,308</b>	<b>4,304</b>	<b>203,549</b>	<b>3,042</b>

**7.6 Financial Instruments held at fair value through profit or loss**

The assets and liabilities carried at fair value through profit or loss have been categorised between the three levels of the fair value hierarchy that reflects the observability and significance of inputs used when establishing the fair value. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level (a) in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis.

Level (b) in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. Instead the price of a recent transaction for an identical asset or liability is used, provided that there has not been a significant change in economic circumstances or a significant lapse of time since the recent transaction.

Level (c) in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices in active markets or in a recent transaction. These assets and liabilities are measured using a valuation technique to estimate what the transaction price would have been in an arm's length transaction.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.6 Financial Instruments held at fair value through profit or loss (continued)**

The tables below set out Company's financial instruments held at fair value through profit or loss by level of hierarchy.

**Other financial investments – Syndicate participation**

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2020</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	140,345	255,976	45,993	442,314	-	442,314
Debt securities and other fixed income securities	551,193	1,275,108	-	1,826,301	-	1,826,301
Participation in investment pools	17,589	42,554	1,353	61,496	-	61,496
Loans and deposits with credit institutions	15,259	2,816	985	19,060	-	19,060
Overseas deposits	99,518	157,816	9,392	266,726	-	266,726
Derivatives	2,318	1,986	-	4,304	-	4,304
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	<b>826,222</b>	<b>1,736,256</b>	<b>57,723</b>	<b>2,620,201</b>	<b>-</b>	<b>2,620,201</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	1,101	-	-	1,101	-	1,101
Financial liabilities classified as held for sale	-	-	-	-	-	-
	<b>1,101</b>	<b>-</b>	<b>-</b>	<b>1,101</b>	<b>-</b>	<b>1,101</b>

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.6 Financial Instruments held at fair value through profit or loss (continued)**

**Other financial investments – Syndicate participation (continued)**

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2019</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	169,250	251,673	11,636	432,559	-	432,559
Debt securities and other fixed income securities	420,955	1,224,577	-	1,645,532	-	1,645,532
Participation in investment pools	17,788	36,477	3,658	57,923	-	57,923
Loans and deposits with credit institutions	8,596	4,750	104	13,450	808	14,258
Overseas deposits	96,976	123,610	7,634	228,220	-	228,220
Derivatives	486	2,556	-	3,042	-	3,042
Other investments	-	3	-	3	-	3
Financial assets classified as held for sale	-	-	-	-	-	-
	<b>714,051</b>	<b>1,643,646</b>	<b>23,032</b>	<b>2,380,729</b>	<b>808</b>	<b>2,381,537</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	1,076	-	-	1,076	-	1,076
Financial liabilities classified as held for sale	-	-	-	-	-	-
	<b>1,076</b>	<b>-</b>	<b>-</b>	<b>1,076</b>	<b>-</b>	<b>1,076</b>

**Other financial investments – Corporate**

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2020</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.6 Financial Instruments held at fair value through profit or loss (continued)**

**Other financial investments – Corporate (continued)**

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2019</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	-	-	-	-	-	-

**7.7 Financial Risk Management**

The Company is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds.

The Company is exposed to the following financial risks in the course of its operating and financing activities:

- Credit risk
- Liquidity risk
- Interest rate risk
- Equity price risk; and
- Currency risk

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate, including those in respect of financial risk management. The following qualitative risk management disclosures made by the Directors therefore relate to the Corporate only. The quantitative disclosures are made in respect of both the Corporate and the Syndicates.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.7 Financial Risk Management (continued)**

**Credit risk**

Credit risk is the risk that a counterparty to the Company's financial instruments will cause a loss to the Company through failure to perform its obligations. The key areas of exposure to credit risk for the Company result through its reinsurance programme, investments, bank deposits and policyholder receivables.

The Company manages credit risk at the Corporate level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions. At the Corporate level the Company did not hold any collateral as security against its receivables, or have any other credit enhancements at the reporting dates.

The carrying amount of the Company's financial assets represents the Company's maximum exposure to credit risk.

The tables below show the credit quality of financial assets that are neither past due nor impaired.

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2020</b>						
Shares and other variable yield securities and units in unit trusts	134,793	28,483	140,510	14,760	123,768	442,314
Debt securities and other fixed income securities	536,648	550,388	544,624	182,161	12,480	1,826,301
Participation in investment pools	27,750	24,252	3,455	4,684	1,355	61,496
Loans secured with credit institutions	13,353	-	2,804	-	985	17,142
Deposits with credit institutions	470	-	1,448	-	-	1,918
Overseas deposits	115,623	42,650	55,993	25,875	26,585	266,726
Derivative investments	-	-	-	45	4,259	4,304
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	237	237
Reinsurers share of claims outstanding	39,945	333,779	1,089,846	18,810	70,067	1,552,447
Cash at bank and in hand	82,708	2,642	141,530	604	866	228,350
Insurance debtors	-	-	-	-	-	-
Other	-	-	-	-	-	-
	951,290	982,194	1,980,210	246,939	240,602	4,401,235

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.7 Financial Risk Management (continued)**

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2019</b>						
Shares and other variable yield securities and units in unit trusts	105,488	25,920	142,500	21,915	136,736	432,559
Debt securities and other fixed income securities	464,798	502,604	416,247	238,521	23,362	1,645,532
Participation in investment pools	19,533	26,610	5,940	2,130	3,710	57,923
Loans secured with credit institutions	5,669	-	1,356	-	104	7,129
Deposits with credit institutions	1	-	4,781	-	2,347	7,129
Overseas deposits	99,499	32,339	18,511	20,725	57,146	228,220
Derivative investments	71	-	-	403	2,568	3,042
Other investments	-	-	-	-	3	3
Deposits with ceding undertakings	-	-	-	-	249	249
Reinsurers share of claims outstanding	48,335	239,405	1,002,803	1,339	52,969	1,344,851
Cash at bank and in hand	106,776	2,059	96,689	23,274	15,120	243,918
Insurance debtors	-	-	-	-	-	-
Other	-	-	-	-	-	-
	850,170	828,937	1,688,827	308,307	294,314	3,970,555

The tables below show the ageing and impairment of financial assets by class of instruments.

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2020</b>						
Shares and other variable yield securities and units in unit trusts	442,314	-	-	-	-	442,314
Debt securities and other fixed income securities	1,826,301	-	-	-	-	1,826,301
Participation in investment pools	61,496	-	-	-	-	61,496
Loans secured with credit institutions	17,142	-	-	-	-	17,142
Deposits with credit institutions	1,918	-	-	-	-	1,918
Overseas deposits	266,726	-	-	-	-	266,726
Derivative investments	4,304	-	-	-	-	4,304
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	237	-	-	-	-	237
Reinsurers share of claims outstanding	1,552,876	-	-	-	(429)	1,552,447
Reinsurance debtors	68,351	85,856	6,560	2,882	(10)	163,639
Cash at bank and in hand	228,350	-	-	-	-	228,350
Insurance debtors	621,672	60,389	23,479	8,767	(442)	713,865
Other	1,409,063	4,095	438	212	-	1,413,808
	6,500,750	150,340	30,477	11,861	(881)	6,692,547

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.7 Financial Risk Management (continued)**

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2019</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	432,559	-	-	-	-	432,559
Participation in investment pools	1,645,532	-	-	-	-	1,645,532
Loans secured with credit institutions	57,923	-	-	-	-	57,923
Deposits with credit institutions	7,129	-	-	-	-	7,129
Overseas deposits	7,129	-	-	-	-	7,129
Derivative investments	228,220	-	-	-	-	228,220
Other investments	3,042	-	-	-	-	3,042
Deposits with ceding undertakings	3	-	-	-	-	3
Reinsurers share of claims outstanding	249	-	-	-	-	249
Reinsurance debtors	1,345,156	-	-	-	(305)	1,344,851
Cash at bank and in hand	57,661	56,872	2,986	1,396	(7)	118,908
Insurance debtors	243,918	-	-	-	-	243,918
Other debtors	589,758	67,761	11,517	6,562	(482)	675,116
	<b>4,618,279</b>	<b>124,633</b>	<b>14,503</b>	<b>7,958</b>	<b>(794)</b>	<b>4,764,579</b>

At the Corporate level the Company is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Corporate.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

At the Corporate level the Company manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Company can be required to pay.

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>2020</b>						
Derivative financial instruments	-	1,101	-	-	-	1,101
Deposits received from reinsurers	-	45,462	25,289	5,027	2,547	78,325
Provisions for other risks and charges	-	739	-	-	-	739
Claims outstanding	-	1,723,269	1,485,525	718,597	610,863	4,538,254
Creditors	31,772	618,718	240,386	3,706	33	894,615
Other	-	(739)	-	-	-	(739)
	<b>31,772</b>	<b>2,388,550</b>	<b>1,751,200</b>	<b>727,330</b>	<b>613,443</b>	<b>5,512,295</b>

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.7 Financial Risk Management (continued)**

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>2019</b>						
Derivative financial instruments	-	1,076	-	-	-	1,076
Deposits received from reinsurers	-	67,673	33,133	6,569	3,392	110,767
Provisions for other risks and charges	-	766	-	-	-	766
Claims outstanding	-	1,493,230	1,425,880	623,396	574,462	4,116,968
Creditors	2,931	529,010	168,052	6,398	-	706,391
Other	-	(766)	-	-	-	(766)
	<b>2,931</b>	<b>2,090,989</b>	<b>1,627,065</b>	<b>636,363</b>	<b>577,854</b>	<b>4,935,202</b>

At the Corporate level the Company is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Corporate.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Corporate level the Company manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financial instruments.

The table below shows the impact of changes in interest rates on the profit or loss for the period and on the equity of the Company.

Syndicate participation	2020 £	2019 £
Impact of 50 basis point increase on profit or loss	(17,624)	(17,245)
Impact of 50 basis point decrease on profit or loss	17,497	17,104
Impact of 50 basis point increase on equity	(17,624)	(17,245)
Impact of 50 basis point decrease on equity	17,497	17,104

At the Corporate level the Company is not exposed to significant cash flow interest rate risk as all of the financial instruments attract fixed rates of interest. Consequently a sensitivity analysis for interest rate risk has not been presented for the Corporate.

**Equity price risk**

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices.

The Company is exposed to equity price risk in respect of its equity investments.

At the Corporate level the Company manages equity price risk by maintaining an appropriate mix between equity and debt financial instruments, and by spreading the risk on equity investments across a portfolio of investments.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.7 Financial Risk Management (continued)**

The table below shows the impact of changes in equity prices on the profit or loss for the period and on the equity of the Company.

<b>Syndicate participation</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Impact on profit or loss of 5% increase in Stock Market Prices	3,635	2,842
Impact on profit or loss of 5% decrease in Stock Market Prices	(3,635)	(2,855)
Impact on equity of 5% increase in Stock Market Prices	3,635	2,842
Impact on equity of 5% decrease in Stock Market Prices	(3,635)	(2,855)

At the Corporate level the Company is not exposed to significant cash flow equity price risk. Consequently a sensitivity analysis for equity price risk has not been presented for the Corporate.

**Currency risk**

The Company holds both assets and liabilities denominated in currencies other than Sterling, its functional currency. It is therefore exposed to currency risk as the value of the foreign currency assets and liabilities will fluctuate in line with changes in foreign exchange rates.

At the Corporate level the Company manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

The table below considers financial assets and financial liabilities denominated in the currencies of the Company's principal foreign exchange exposures in aggregate.

<b>Net assets and liabilities</b>	<b>2020</b>		<b>2019</b>	
	<b>Syndicate Participation</b>	<b>Corporate</b>	<b>Syndicate Participation</b>	<b>Corporate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Sterling	(248,124)	388,536	(590,057)	497,030
United States Dollar	(288,399)	-	92,200	-
Euro	20,570	-	114,808	-
Canadian Dollar	135,460	-	49,122	-
Australian Dollar	4,270	-	31,439	-
Japanese Yen	(29,366)	-	(49,167)	-
Other	20,760	-	24,970	-

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**7. Financial Instruments and Financial Risk Management (continued)**

**7.7 Financial Risk Management (continued)**

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing currency risk arising from assets and liabilities are only presented for the Corporate in these Financial Statements.

The Company's assets are primarily Funds at Lloyd's to support its underwriting. These are held in various currencies but are all either listed investments or cash. As such, any exchange movement would be accounted for in the profit and loss.

	Corporate Profit and loss			
	31 December 2020		31 December 2019	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
<b>Effect of Sterling exchange movement by 10%</b>				
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

**7.8 Capital Management**

**Lloyd's capital setting process**

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Standard Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR "to ultimate"). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Each Syndicate member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares.

Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR "to ultimate".

Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

The Funds at Lloyd's represent the capital which allows the Company to participate on the Syndicates. Refer to Note 7.3 for further information.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**8. Insurance Contracts**

The following reconciliation shows the movement in the provision for claims outstanding during the year.

	<b>2020</b>			<b>2019</b>		
	<b>Gross provision</b>	<b>Reinsurance asset</b>	<b>Net</b>	<b>Gross provision</b>	<b>Reinsurance asset</b>	<b>Net</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January	4,116,968	1,344,851	2,772,117	3,980,277	1,156,437	2,823,840
Movements in the year	464,309	230,653	233,656	348,752	193,359	155,393
Other movements	(43,023)	(23,057)	(19,966)	(212,061)	(4,945)	(207,116)
At 31 December	<u>4,538,254</u>	<u>1,552,447</u>	<u>2,985,807</u>	<u>4,116,968</u>	<u>1,344,851</u>	<u>2,772,117</u>

The following reconciliation shows the movement in the provision for unearned premium during the year.

	<b>2020</b>			<b>2019</b>		
	<b>Gross provision</b>	<b>Reinsurance asset</b>	<b>Net</b>	<b>Gross provision</b>	<b>Reinsurance asset</b>	<b>Net</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January	1,404,016	309,838	1,094,178	1,319,356	254,361	1,064,995
Movements in the year	88,222	101,792	(13,570)	124,195	64,486	59,709
Other movements	(33,052)	(10,608)	(22,444)	(39,535)	(9,009)	(30,526)
At 31 December	<u>1,459,186</u>	<u>401,022</u>	<u>1,058,164</u>	<u>1,404,016</u>	<u>309,838</u>	<u>1,094,178</u>

The following reconciliation shows the movement in deferred acquisition costs during the year.

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
At 1 January	366,278	337,501
Movements in the year	17,048	17,215
Other movements	(7,116)	11,562
At 31 December	<u>376,210</u>	<u>366,278</u>

The other movements category includes exchange differences and the movements attributable to RITC.

**8.1 Risks arising from Insurance Contracts**

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing risk arising from insurance contracts, are not presented in these Financial Statements.

The development of insurance liabilities provides a measure of the managing agent's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.



**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**8. Insurance Contracts (continued)**

**8.1 Risks arising from Insurance Contracts (continued)**

**Claims development - gross**

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2012	742,471	1,130,787	1,117,647	1,087,124	1,073,628	1,049,863	1,034,763	1,027,754
2013	545,530	980,831	978,268	955,024	936,867	911,267	899,641	889,018
2014	501,635	944,727	990,430	955,088	957,773	942,250	932,074	
2015	515,804	1,053,387	1,110,034	1,109,167	1,106,991	1,105,432		
2016	602,271	1,320,758	1,407,315	1,433,378	1,422,365			
2017	1,178,937	1,867,865	1,979,530	1,976,704				
2018	1,024,407	1,904,822	2,094,199					
2019	897,502	1,929,271						
2020	1,040,933							
	Eight years later	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received				
2011 & prior			263,994					
2012	1,023,381	959,538	63,843	(105,845)				
2013		826,498	62,520	(61,231)				
2014		838,465	93,609	(150,126)				
2015		893,297	212,135	(131,854)				
2016		1,107,913	314,452	(44,754)				
2017		1,491,419	485,285	(83,843)				
2018		1,144,773	949,426					
2019		663,045	1,266,226					
2020		214,169	826,764					
			<u>4,538,254</u>					

**Claims development - net**

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2012	594,041	956,117	947,874	910,670	893,257	880,869	872,125	866,430
2013	478,136	878,822	867,558	839,323	826,592	816,978	806,344	800,012
2014	433,876	822,761	848,783	820,666	820,871	814,042	808,893	
2015	426,722	889,993	927,410	926,466	919,835	913,962		
2016	485,920	1,020,573	1,093,616	1,100,015	1,090,761			
2017	756,198	1,366,944	1,449,373	1,453,632				
2018	696,151	1,333,946	1,458,188					
2019	593,055	1,327,621						
2020	663,748							

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**8. Insurance Contracts (continued)**

**8.1 Risks arising from Insurance Contracts (continued)**

**Claims development – net (continued)**

	Eight years later	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011 & prior			175,455	
2012	861,133	810,799	50,334	(107,322)
2013		747,606	52,406	(96,905)
2014		736,272	72,621	(96,828)
2015		774,927	139,035	(74,423)
2016		902,000	188,761	(69,584)
2017		1,121,193	332,439	(68,728)
2018		833,442	624,746	
2019		512,211	815,410	
2020		129,148	534,600	
			<u>2,985,807</u>	

**Sensitivity analysis**

The amounts carried by the Company arising from insurance contracts are sensitive to various factors as follows:

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £109,324 (2019: £108,486 );
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £226,913 (2019: £205,848 );
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £149,290 (2019: £138,606 ).

The 5% movement has been selected to give an indication of the possible variations in the assumptions used.

**9. Called-up Share Capital**

Issued and fully paid	Number of shares			At 31 December
	At 1 January	Issued during the year	Redeemed during the year	
Par value per share				
1 Ordinary £1 shares	1	-	-	1
Total	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>

The Ordinary £1 shares each hold one voting right. There are no restrictions on the distribution of dividends and the repayments of capital.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**10. Profit and Loss Account**

	<b>2020</b>			<b>2019</b>		
	<b>Syndicate Participation £</b>	<b>Corporate £</b>	<b>Total £</b>	<b>Syndicate Participation £</b>	<b>Corporate £</b>	<b>Total £</b>
Retained profit brought forward	(366,366)	531,882	165,516	(439,688)	550,428	110,740
Reallocate distribution	118,803	(118,803)	-	(29,971)	29,971	-
(Loss)/profit for the financial year	(114,458)	(8,096)	(122,554)	103,293	(48,517)	54,776
Equity dividends	-	-	-	-	-	-
Retained profit carried forward	(362,021)	404,983	42,962	(366,366)	531,882	165,516

**11. Deferred Tax**

	<b>2020</b>				
	<b>Syndicate Results £</b>	<b>Tax losses £</b>	<b>Claims Equalisation Reserve £</b>	<b>Other £</b>	<b>Total £</b>
At 1 January	(62,876)	-	9,590	(2,866)	(56,152)
Movement in year – profit and loss	(6,816)	(25,815)	(4,308)	(377)	(37,316)
Movement in the year - OCI	908	-	-	-	908
At 31 December	(68,784)	(25,815)	5,282	(3,243)	(92,560)

	<b>2019</b>				
	<b>Syndicate Results £</b>	<b>Tax losses £</b>	<b>Claims Equalisation Reserve £</b>	<b>Other £</b>	<b>Total £</b>
At 1 January	(75,343)	-	14,871	(3,043)	(63,515)
Movement in the year	12,467	-	(5,281)	177	7,363
At 31 December	(62,876)	-	9,590	(2,866)	(56,152)

The unused tax losses carried forward at the Statement of Financial Position date are £135,870. Unused tax losses are expected to be recoverable against the future profits of the Company and have no expiry date.

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within other debtors (Note 7.2).

The deferred tax expected to unwind within one year is £Nil. The deferred tax expected to unwind over one year is £92,560.

**LAF Capital Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**

**12. Related Party Disclosure**

The Company has taken advantage of the exemption in Section 33 of FRS 102 - Related Party Disclosure available to subsidiaries which are 100% controlled by the group not to disclose transactions with other group companies and investees of the group qualifying as related parties.

At the balance sheet date there was a loan due to the company from Ludwig Fuchs London Limited of £9,050 (2017: £9,050). Ludwig Fuchs London Limited is 100% owned by L A Fuchs a director of the company.

**13. Ultimate Controlling Party**

The Company was controlled by FAMc Invest & Management GmbH, a company incorporated in Germany which held 100% of the issued £1 ordinary share capital. Control then passed to Oimara Capital Limited on 12 August 2020.

**14. Post Balance Sheet Event Note**

There are no post balance sheet events to be disclosed.