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**LIMITED LIABILITY PARTNERSHIP**

**Castelnau Private Capital LLP**

**Annual Report**

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**◆ For the year ended 31 December 2018 ◆**

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**Registered Number: OC322802**

# Castelnau Private Capital LLP

## Contents

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	Page No
General Information	3
Strategic Report	4
Members' Report	5
Independent Auditor's Report	6
Statement of Comprehensive Income – Technical Account	8
Statement of Comprehensive Income – Non Technical Account	9
Statement of Financial Position	10
Reconciliation of Members' Interests	12
Statement of Cash Flows	13
Notes to the Financial Statements	14

## **Castelnau Private Capital LLP**

### **General Information**

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#### **DESIGNATED MEMBERS**

Argenta Continuity Limited  
Argenta LLP Services Limited

#### **MEMBERS' AGENT**

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

#### **AUDITORS**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1 W 1DD

#### **REGISTERED NUMBER**

OC322802

#### **REGISTERED OFFICE**

5th Floor, 70 Gracechurch Street  
London  
EC3V 0XL

## **Castelnau Private Capital LLP**

### **Strategic Report**

**For the year ended 31 December 2018**

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The Members present their Strategic Report for the year ended 31 December 2018.

#### **Business Review**

The Limited Liability Partnership continues to write insurance business in the Lloyd's insurance market as a limited liability underwriting Member of Lloyd's.

The financial statements incorporate the annual accounting results of the Syndicates on which the Limited Liability Partnership participates for the 2016, 2017 and 2018 years of account, as well as any 2015 and prior run-off years.

#### **Results**

The result for the year is shown in the Statement of Comprehensive Income.

#### **Financial Risk Management Objectives and Policies**

The Limited Liability Partnership 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 Limited Liability Partnership 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 Limited Liability Partnership.

Hedge accounting is not used by the Limited Liability Partnership.

Approved by the Members on 21 June 2019 and signed on their behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
Designated Member

# Castelnau Private Capital LLP

## Members' Report For the year ended 31 December 2018

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The Members present their report together with the financial statements for the year ended 31 December 2018.

### Statement of Members' Responsibilities

Legislation applicable to Limited Liability Partnerships requires the Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period.

In preparing those financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure 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 Partnership will continue in business.

The Members are responsible for ensuring that proper and up to date books of account are maintained in accordance with generally accepted accounting principles, and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Limited Liability Partnership Regulations. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Activities

The principal activity of the Limited Liability Partnership in the year under review was that of a limited liability underwriting Member of Lloyd's.

### Designated Members

The Designated Members during the period were as follows:

Argenta Continuity Limited  
Argenta LLP Services Limited

### Members' Interests

The net profit of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

The net loss of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective yearly shares for the relevant year(s) of account.

### Brexit

The Brexit talks continue with Parliament debating the EU Withdraw Bill. At present the insurance sector still needs certainty on the UK's future trading relationship with the EU. The priority is to ensure mutual insurance and reinsurance market access if the UK leaves the EU. Lloyd's have established a subsidiary, Lloyd's Brussels, which opened for business on 13 November 2018 and provides certainty for the market and Lloyd's clients. All legacy European Economic Area business will be moving to Lloyd's Brussels before the end of 2020 via a part VII transfer. The Members are monitoring the Lloyd's market's preparations along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Partnership.

### Auditors

Mazars LLP have signified their willingness to act and continue to be appointed as the auditors to the Limited Liability Partnership.

Approved by the Members on 21 June 2019 and signed on their behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
Designated Member

## **Castelnau Private Capital LLP**

### **Independent Auditor's Report To the Members of Castelnau Private Capital LLP For the year ended 31 December 2018**

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#### **Opinion**

We have audited the financial statements of Castelnau Private Capital LLP (the 'LLP') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Reconciliation of Member's Interests, 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 LLP's affairs as at 31 December 2018 and of its Loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

#### **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 LLP 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.

#### **The impact of uncertainties due to the United Kingdom exiting the European Union on our audit**

The Members' view on the impact of Brexit is disclosed on page 5.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Partnership's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Partnership as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Partnership's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Partnership and this is particularly the case in relation to Brexit.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The Members are responsible for the other information. The other information comprises the information included in the whole financial statements, other than the financial statements themselves and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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.

## Castelnau Private Capital LLP

### Independent Auditor's Report (continued) To the Members of Castelnau Private Capital LLP For the year ended 31 December 2018

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#### 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 Members' Report

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of Members

As explained more fully in the Statement of Members' Responsibilities set out on page 5, the Members 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 the Members 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 Members are responsible for assessing the LLP'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 Members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

#### 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.

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 LLP's Members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's Members as a body for our audit work, for this report, or for the opinions we have formed.



**Amanda Barker (Senior Statutory Auditor)**  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St. Katharine's Way  
London E1W 1DD

21 June 2019

# Castelnau Private Capital LLP

## Statement of Comprehensive Income – Technical Account For the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Premiums</b>			
Gross premiums written	1	833,846	786,209
Outward reinsurance premiums	1	<u>(180,476)</u>	<u>(168,517)</u>
<b>Net premiums written</b>		<u>653,370</u>	<u>617,692</u>
<b>Change in the provision for Unearned premiums</b>			
Gross provision	1	(29,797)	171
Reinsurers' share	1	<u>8,110</u>	<u>6,694</u>
<b>Earned premiums, net of reinsurance</b>		<u>631,683</u>	<u>624,557</u>
Allocated investment return transferred from the non-technical account		8,496	16,769
Other technical income, net of reinsurance		-	-
<b>Claims paid</b>			
Gross amount	1	(436,594)	(372,242)
Reinsurers' share	1	<u>100,013</u>	<u>55,232</u>
<b>Net claims paid</b>		<u>(336,581)</u>	<u>(317,010)</u>
<b>Change in provision for claims</b>			
Gross amount	1	(68,822)	(241,917)
Reinsurers' share	1	<u>25,335</u>	<u>129,631</u>
<b>Net change in provisions for claims</b>		<u>(43,487)</u>	<u>(112,286)</u>
<b>Claims incurred, net of reinsurance</b>		(380,068)	(429,296)
Changes in other technical provisions, net of reinsurance		(1,130)	589
Net operating expenses	1, 2	(257,134)	(260,626)
Other technical charges, net of reinsurance		-	-
<b>Balance on the technical account for general business</b>		<u>1,847</u>	<u>(48,007)</u>

The accounting policies and notes on pages 14 to 38 form part of these financial statements.



## Castelnau Private Capital LLP

### Statement of Comprehensive Income – Non Technical Account For the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Balance on general business technical account</b>		1,847	(48,007)
Investment income	3	8,599	16,828
Allocated investment return transferred to the technical account		(8,496)	(16,769)
Other income		(107)	2,309
Other charges, including value adjustments		(29,744)	(28,290)
Loss for the financial period before Members' remuneration and profit shares	4	(27,901)	(73,929)
Members' remuneration charged as an expense	5	-	-
<b>Loss for the financial period available for discretionary division among Members</b>		(27,901)	(73,929)
<b>Other comprehensive expenditure:</b>			
Currency translation differences		(4,291)	(170)
<b>Total comprehensive expenditure</b>		<u>(32,192)</u>	<u>(74,099)</u>

All items derive from continuing activities.

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

# Castelnau Private Capital LLP

## Statement of Financial Position As at 31 December 2018

	Note	31 December 2018			31 December 2017		
		Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	6	-	5,018	5,018	-	5,360	5,360
<b>Investments</b>							
Other financial investments	7	760,141	-	760,141	775,774	-	775,774
Deposits with ceding undertakings		67	-	67	61	-	61
		760,208	-	760,208	775,835	-	775,835
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums	8	64,442	-	64,442	53,291	-	53,291
Claims outstanding	8	363,236	-	363,236	333,366	-	333,366
Other technical provisions		537	-	537	989	-	989
		428,215	-	428,215	387,646	-	387,646
<b>Debtors</b>							
Amounts falling due within one year	7	361,481	2,800	364,281	318,038	-	318,038
Amounts falling due after one year	7	84,470	9,653	94,123	89,985	-	89,985
		445,951	12,453	458,404	408,023	-	408,023
<b>Other assets</b>							
Cash at bank and in hand		41,209	-	41,209	40,715	-	40,715
Other		73,714	-	73,714	73,828	-	73,828
		114,923	-	114,923	114,543	-	114,543
<b>Prepayments and accrued income</b>							
Accrued interest		1,356	-	1,356	1,195	-	1,195
Deferred acquisitions costs	8	105,319	-	105,319	97,545	-	97,545
Other prepayments and accrued income		6,102	-	6,102	3,821	-	3,821
		112,777	-	112,777	102,561	-	102,561
<b>Total assets</b>		1,862,074	17,471	1,879,545	1,788,608	5,360	1,793,968

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

# Castelnau Private Capital LLP

## Statement of Financial Position As at 31 December 2018

	Note	31 December 2018			31 December 2017		
		Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
<b>Liabilities and Members' interests</b>							
<b>Loans and other debts due to Members</b>							
Syndicate profit and loss		(131,161)	-	(131,161)	(49,084)	-	(49,084)
Corporate profit and loss - Syndicate capacity		-	5,367	5,367	-	4,243	4,243
Corporate profit and loss - other		-	1,738	1,738	-	(12,070)	(12,070)
		(131,161)	7,105	(124,056)	(49,084)	(7,827)	(56,911)
<b>Technical provisions</b>							
Provision for unearned premiums	8	378,815	-	378,815	334,744	-	334,744
Claims outstanding	8	1,350,480	-	1,350,480	1,258,647	-	1,258,647
Other technical provisions		707	-	707	-	-	-
<b>Provisions for other risks</b>		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>		4,470	-	4,470	124	-	124
<b>Creditors</b>							
Amounts falling due within one year	7	204,867	419	205,286	192,810	500	193,310
Amounts falling due after one year	7	33,644	837	34,481	33,084	1,500	34,584
		1,972,983	1,256	1,974,239	1,819,409	2,000	1,821,409
<b>Accruals and deferred income</b>		20,252	9,110	29,362	18,283	11,187	29,470
<b>Total liabilities</b>		1,862,074	17,471	1,879,545	1,788,608	5,360	1,793,968

The financial statements were approved by the Members of the Limited Liability Partnership and signed on its behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
21 June 2019

Registered Number: OC322802

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

# Castelnau Private Capital LLP

## Reconciliation of Members' Interests For the year ended 31 December 2018

	Liabilities			
	Partnership profit and loss allocated to Members			
	Syndicate profit and loss allocated to Members £	Syndicate capacity £	Other £	Total £
Members' interests at 1 January 2017	100,888	3,777	(13,449)	91,216
Allocated Profit 2015 year of account	55,121	-	-	55,121
Allocated Profit 2016 year of account	18,091	-	-	18,091
Allocated (Loss) 2017 year of account	(114,306)	(327)	(32,678)	(147,311)
Members' interests after Profit for the year	59,794	3,450	(46,127)	17,117
Reallocate distribution Introduced by Members	(108,878)	-	108,878	-
Repayment of debt (including Members' capital classified as a liability)	-	793	-	793
Other movements	-	-	(74,821)	(74,821)
Members' interests at 31 December 2017	(49,084)	4,243	(12,070)	(56,911)
Allocated Profit 2016 year of account	53,070	-	-	53,070
Allocated Profit 2017 year of account	25,857	-	-	25,857
Allocated Loss 2018 year of account	(80,693)	(1,116)	(29,310)	(111,119)
Members' interests after Loss for the year	(50,850)	3,127	(41,380)	(89,103)
Reallocate distribution Introduced by Members	(80,311)	-	80,311	-
Repayment of debt (including Members' capital classified as a liability)	-	2,240	-	2,240
Other movements	-	-	(37,193)	(37,193)
Members' interests at 31 December 2018	(131,161)	5,367	1,738	(124,056)

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

## Castelnau Private Capital LLP

### Statement of Cash Flows For the year ended 31 December 2018

	2018 £	2017 £
<b>Operating activities</b>		
Loss on ordinary activities before tax	(27,901)	(73,929)
(Loss)/profit attributable to Syndicate transactions	(2,524)	40,924
Loss excluding Syndicate transactions	(30,425)	(33,005)
Adjustment for:		
(Increase)/decrease in debtors	(12,453)	-
Decrease in creditors	(2,821)	(209)
(Profit)/loss on disposal of intangible assets	107	(173)
Amortisation of Syndicate capacity	1,009	499
Realised/unrealised losses on investments	-	-
Investment income	(103)	(59)
Net cash outflow from operating activities	(44,686)	(32,947)
<b>Investing activities</b>		
Investment income	103	59
Purchase of Syndicate capacity	(1,400)	(3,359)
Proceeds from sale of Syndicate capacity	625	173
Net cash outflow from investing activities	(672)	(3,127)
<b>Financing activities</b>		
Repayment of debt to Members	-	-
Capital introduced by Members	45,358	34,850
Net cash inflow from financing activities	45,358	34,850
Net cash increase/(decrease) in cash and cash equivalents	-	(1,224)
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	1,224
Cash and cash equivalents at the end of the year	-	-
Consisting of:		
Cash at bank and in hand	-	-
Cash equivalents	-	-
	-	-

The Limited Liability Partnership has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Statement of Cash Flows is prepared reflecting only the movement in Limited Liability Partnership funds, which includes transfers to and from the Syndicates at Lloyd's.

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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### General information

The Partnership is a Limited Liability Partnership incorporated in the United Kingdom.

The financial statements have been presented in Pounds Sterling ("Sterling") as this is the Limited Liability Partnership's functional currency, being the primary economic environment in which the Limited Liability Partnership 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* ("FRS 102");
- FRS 103 *Insurance Contracts*;
- The requirements of the Statement of Recommended Practice *Accounting by Limited Liability Partnerships* ("LLP SORP"); 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") as modified by the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 ("SI 2008/1913").

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 Limited Liability Partnership 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 Limited Liability Partnership at entity level ("the Partnership").

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 or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the Limited Liability Partnership participates.

For each such Syndicate, the Limited Liability Partnership's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Limited Liability Partnership's Statement of Comprehensive Income. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its Statement of Financial Position (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the Limited Liability Partnership's insurance creditors.

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

The Limited Liability Partnership 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 Limited Liability Partnership.

### Sources of data

The information used to compile the technical account and the "Syndicate" Statement of Financial Position 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 collate 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 Limited Liability Partnership participates.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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### 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 vi below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vi below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Partnership 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 Limited Liability Partnership'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 regard 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 Members 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.

## Castelnau Private Capital LLP

### Notes to the Financial Statements For the year ended 31 December 2018

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#### Accounting policies (continued)

##### vi. 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 Limited Liability Partnership participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Limited Liability Partnership has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Limited Liability Partnership 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 Limited Liability Partnership has assumed a greater proportion of the business of the Syndicate. If the Limited Liability Partnership 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 Limited Liability Partnership'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 Limited Liability Partnership's outstanding gross liabilities in respect of the business so reinsured.



# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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### Accounting policies (continued)

#### vii. Financial instruments

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

The Limited Liability Partnership holds both basic and non-basic financial instruments. The Limited Liability Partnership'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 Limited Liability Partnership and through the Syndicates.

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

Basic financial instruments (except for non-puttable ordinary and non-convertible preference shares) 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 are 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.

At the end of each reporting year, the Limited Liability Partnership 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 Limited Liability Partnership 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 profit or 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.

#### viii. Derivative financial instruments

The Limited Liability Partnership uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Limited Liability Partnership 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.

#### ix. 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 Limited Liability Partnership 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 Limited Liability Partnership has transferred substantially all the risks and rewards of the asset; or (b) the Limited Liability Partnership has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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### Accounting policies (continued)

#### ix. Derecognition of financial assets (continued)

When the Limited Liability Partnership 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 Limited Liability Partnership 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 Limited Liability Partnership could be required to repay. In that case, the Limited Liability Partnership also recognises an associated liability.

#### x. 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.

#### xi. Net operating expenses

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

#### xii. Deferred acquisition costs

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

#### xiii. 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.

#### xiv. 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.

#### xv. Insurance contracts – product classification

Insurance contracts are those contracts when the Limited Liability Partnership (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 Limited Liability Partnership 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).

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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### Accounting policies (continued)

#### xvi. Members' participation rights and remuneration

Members' participation rights are the rights of a Member against the Limited Liability Partnership that arise under the Members' Agreement.

Members' participation rights in the earnings or assets of the Limited Liability Partnership are analysed between those that are, from the Limited Liability Partnership's perspective, either a financial liability or equity, in accordance with Section 22 *Liabilities and Equity*. A Member's participation right results in a liability where there is a contractual obligation on the part of the Limited Liability Partnership to deliver cash, or other financial assets, to the Member.

Amounts subscribed or otherwise contributed by Members, for instance Members' capital and loans, are classified as equity where the Limited Liability Partnership has an unconditional right to avoid delivering cash or other assets to the Member (i.e. the right to any payment or repayment is discretionary on the part of the Limited Liability Partnership). If the Limited Liability Partnership does not have such an unconditional right, such amounts are classified as liabilities.

The net profit of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

The net loss of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective yearly shares for the relevant year(s) of account.

Loans and other debts due to Members rank *pari passu* with other unsecured creditors on the winding up of a partnership.

The key management personnel of the Limited Liability Partnership are considered to be the Members. The Members are not employees of the Limited Liability Partnership, and consequently the total remuneration of the Members' consists of the allocated profit/(loss) for the year.

#### xvii. Taxation

Income tax payable on the Limited Liability Partnership's profits is solely the personal liability of the Members and consequently is not dealt with in these financial statements.

#### xviii. Critical accounting judgements and key sources of estimation uncertainty

In applying the Limited Liability Partnership's accounting policies, the Members are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Members' 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 Limited Liability Partnership 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 Members in respect of the Partnership only, and do not include estimates and judgements made in respect of the Syndicates.

## Castelnau Private Capital LLP

### Notes to the Financial Statements For the year ended 31 December 2018

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#### Accounting policies (continued)

#### xviii. Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Critical accounting judgements

The critical judgements that the Members have made in the process of applying the Limited Liability Partnership'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 Members 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 Members perform an impairment review when indications of impairment arise.

##### *Recoverability of receivables*

The Limited Liability Partnership establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Members 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 Members have assessed the useful life of Syndicate capacity to be five years. This is on the basis that the Members consider this to be the life over which value is created from the investment made.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 1. Class of Business

2018	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	34,970	37,008	(18,678)	(16,098)	(873)	1,359
Motor – third party liability	2,745	2,873	(1,503)	(936)	(305)	129
Motor – other classes	18,352	24,709	(9,183)	(7,855)	(5,551)	2,120
Marine, aviation and transport	77,318	76,837	(35,988)	(29,135)	(8,035)	3,679
Fire and other damage to property	238,577	221,230	(137,947)	(71,151)	(24,078)	(11,946)
Third party liability	225,909	209,238	(125,363)	(75,640)	815	9,050
Credit and suretyship	19,032	17,344	(8,063)	(5,604)	(1,133)	2,544
Legal expenses	999	1,007	(350)	(660)	8	5
Assistance	-	-	-	-	-	-
Miscellaneous	5,110	4,924	(2,281)	(1,680)	(602)	361
	623,012	595,170	(339,356)	(208,759)	(39,754)	7,301
<b>Reinsurance</b>	210,834	208,879	(166,060)	(48,375)	(7,264)	(12,820)
<b>Total</b>	<b>833,846</b>	<b>804,049</b>	<b>(505,416)</b>	<b>(257,134)</b>	<b>(47,018)</b>	<b>(5,519)</b>

  

2017	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	36,604	36,388	(17,899)	(16,120)	(1,586)	783
Motor – third party liability	2,352	2,676	(2,132)	(830)	52	(234)
Motor – other classes	34,974	35,508	(28,379)	(10,623)	371	(3,123)
Marine, aviation and transport	76,065	82,554	(43,662)	(33,346)	(3,880)	1,666
Fire and other damage to property	203,888	200,604	(161,643)	(70,881)	6,599	(25,321)
Third party liability	206,820	194,316	(113,067)	(72,025)	(4,387)	4,837
Credit and suretyship	15,179	15,401	(10,270)	(5,886)	299	(456)
Legal expenses	810	936	(558)	(487)	(5)	(114)
Assistance	-	-	-	-	-	-
Miscellaneous	5,046	4,555	(2,768)	(1,801)	(379)	(393)
	581,738	572,938	(380,378)	(211,999)	(2,916)	(22,355)
<b>Reinsurance</b>	204,471	213,442	(233,781)	(48,627)	25,956	(43,010)
<b>Total</b>	<b>786,209</b>	<b>786,380</b>	<b>(614,159)</b>	<b>(260,626)</b>	<b>23,040</b>	<b>(65,365)</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.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 2. Net Operating Expenses

	2018 £	2017 £
Acquisition costs	227,130	220,617
Change in deferred acquisition costs	(5,262)	(3,698)
Administrative expenses	42,355	44,384
Reinsurance commissions and profit participations	(28,367)	(23,846)
Personal expenses	21,278	23,169
	<u>257,134</u>	<u>260,626</u>

### 3. Investment Income

	2018 £	2017 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	17,083	15,993
Realised gains and losses	(1,501)	2,767
Unrealised gains and losses	(6,171)	(680)
Other	-	-
	<u>9,411</u>	<u>18,080</u>
Financial instruments held at amortised cost:		
Interest	103	59
Other	-	-
	<u>103</u>	<u>59</u>
Investment management expenses, including interest	(915)	(1,311)
	<u>(915)</u>	<u>(1,311)</u>
Total	<u>8,599</u>	<u>16,828</u>

### 4. Profit/(Loss) on Ordinary Activities before Taxation

	2018 £	2017 £
Operating Loss is stated after charging:		
Amortisation of Syndicate capacity	1,009	499
Profit/(loss) on disposal of intangible fixed assets	107	(173)
Loss on exchange	3,039	1,589

The Limited Liability Partnership has no employees.

The auditors charge a fixed fee to Argenta Private Capital Limited of £315 for the provision of the statutory audit, they also provide non-audit services through an outsourcing arrangement of approximately £515.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 5. Members' Remuneration

The key management personnel of the Limited Liability Partnership are considered to be the Members. The Members are not employees of the Limited Liability Partnership, and consequently the total remuneration of the Members consists of the allocated profit/(loss) for the year.

The average number of Members during the year was 4.

6. Intangible Assets	Total £
<b>Purchased Syndicate Capacity</b>	
<b>Cost</b>	
At 1 January 2018	82,375
Additions	1,400
Disposals	(814)
At 31 December 2018	82,961
<b>Amortisation</b>	
At 1 January 2018	77,015
Additions	1,009
Disposals	(81)
At 31 December 2018	77,943
<b>Net Book Value</b>	
At 31 December 2018	5,018
At 31 December 2017	5,360

### 7. Financial Instruments and Financial Risk Management

#### 7.1 Financial Investments

##### Other financial investments – Syndicate participation

	2018 Market Value £	2017 Market Value £
Shares and other variable yield securities and units in unit trusts	97,381	95,192
Debt securities and other fixed income securities	620,294	643,443
Participation in investment pools	24,990	20,018
Loans with credit institutions	72	34
Derivative financial instruments	458	1,890
Other investments	686	618
Deposits with credit institutions	3,559	3,481
Other	12,701	11,098
	<u>760,141</u>	<u>775,774</u>

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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

#### 7.2 Debtors

	2018		2017	
	Syndicate Participation £	Corporate £	Syndicate Participation £	Corporate £
<b>Amounts falling due within one year:</b>				
Arising out of direct insurance operations	182,542	-	161,915	-
Arising out of reinsurance operations	136,116	-	122,006	-
<b>Other Debtors:</b>				
Amounts due from group undertakings	-	-	-	-
Other	42,823	2,800	34,117	-
Total Amounts falling due within one year	361,481	2,800	318,038	-
<b>Amounts falling due after one year:</b>				
Arising out of direct insurance operations	5,240	-	2,862	-
Arising out of reinsurance operations	71,550	-	79,482	-
<b>Other Debtors:</b>				
Amounts due from group undertakings	-	-	-	-
Other	7,680	9,653	7,641	-
Total Amounts falling due after one year	84,470	9,653	89,985	-
	445,951	12,453	408,023	-



# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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

#### 7.3 Creditors

	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Amounts falling due within one year:</b>						
Arising out of direct insurance operations	25,354	-	25,354	31,239	-	31,239
Arising out of reinsurance operations	96,646	-	96,646	82,612	-	82,612
Amounts owed to credit institutions	-	-	-	1,736	-	1,736
<b>Other creditors:</b>						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	82,867	419	83,286	77,223	500	77,723
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due within one year	204,867	419	205,286	192,810	500	193,310
<b>Amounts falling due after one year:</b>						
Arising out of direct insurance operations	289	-	289	188	-	188
Arising out of reinsurance operations	28,955	-	28,955	27,676	-	27,676
Amounts owed to credit institutions	-	-	-	-	-	-
<b>Other creditors:</b>						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	4,400	837	5,237	5,220	1,500	6,720
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due after one year	33,644	837	34,481	33,084	1,500	34,584
	238,511	1,256	239,767	225,894	2,000	227,894

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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

#### 7.4 Classification of Financial Instruments

The tables below set out the Limited Liability Partnership's financial instruments by classification.

##### Other financial investments – Syndicate participation

	2018			2017		
	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	760,141	-	760,141	775,774	-	775,774
Deposits with ceding undertakings	-	67	67	-	61	61
Insurance debtors	-	187,782	187,782	-	164,777	164,777
Reinsurance debtors	-	207,666	207,666	-	201,488	201,488
Other debtors	-	50,503	50,503	-	41,758	41,758
Cash at bank and in hand	-	41,209	41,209	-	40,715	40,715
Other assets	73,714	-	73,714	73,828	-	73,828
	<b>833,855</b>	<b>487,227</b>	<b>1,321,082</b>	<b>849,602</b>	<b>448,799</b>	<b>1,298,401</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	414	-	414	121	-	121
Insurance creditors	-	25,643	25,643	-	31,427	31,427
Reinsurance creditors	-	125,601	125,601	-	110,288	110,288
Amounts owed to credit institutions	-	-	-	-	1,736	1,736
Other creditors	-	-	-	-	-	-
	<b>414</b>	<b>151,244</b>	<b>151,658</b>	<b>121</b>	<b>143,451</b>	<b>143,572</b>

##### Other financial investments – Partnership

	2018			2017		
	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	-	12,453	12,453	-	-	-
Cash at bank and in hand	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	<b>-</b>	<b>12,453</b>	<b>12,453</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
Other creditors	-	1,256	1,256	-	2,000	2,000
	<b>-</b>	<b>1,256</b>	<b>1,256</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>

## Castelnau Private Capital LLP

### Notes to the Financial Statements For the year ended 31 December 2018

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

##### 7.4 Classification of Financial Instruments (continued)

The table below sets out details of the Limited Liability Partnership's derivative financial instruments.

	2018		2017	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	40,916	455	51,174	1,756
Interest rate future contracts	523	3	5,330	12
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	8,565	61
Other	-	-	1,524	61
	41,439	458	66,593	1,890

##### 7.5 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.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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

#### 7.5 Financial Instruments held at fair value through profit or loss (continued)

The tables below set out the Limited Liability Partnership'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>2018</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	28,352	65,920	3,109	97,381	-	97,381
Debt securities and other fixed income securities	145,878	474,416	-	620,294	-	620,294
Participation in investment pools	20,089	2,700	2,201	24,990	-	24,990
Loans and deposits with credit institutions	3,544	87	686	4,317	-	4,317
Overseas deposits	44,345	40,291	1,770	86,406	-	86,406
Derivatives	334	124	-	458	-	458
Other investments	-	9	-	9	-	9
Financial assets classified as held for sale	-	-	-	-	-	-
	<b>242,542</b>	<b>583,547</b>	<b>7,766</b>	<b>833,855</b>	<b>-</b>	<b>833,855</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	387	27	-	414	-	414
Financial liabilities classified as held for sale	-	-	-	-	-	-
	<b>387</b>	<b>27</b>	<b>-</b>	<b>414</b>	<b>-</b>	<b>414</b>

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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

#### 7.5 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>2017</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	10,714	78,404	6,074	95,192	-	95,192
Debt securities and other fixed income securities	134,595	508,848	-	643,443	-	643,443
Participation in investment pools	13,436	3,064	3,518	20,018	-	20,018
Loans and deposits with credit institutions	3,468	47	618	4,133	-	4,133
Overseas deposits	29,354	54,261	1,303	84,918	-	84,918
Derivatives	459	1,431	-	1,890	-	1,890
Other investments	-	8	-	8	-	8
Financial assets classified as held for sale	-	-	-	-	-	-
	192,026	646,063	11,513	849,602	-	849,602
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	119	2	-	121	-	121
Financial liabilities classified as held for sale	-	-	-	-	-	-
	119	2	-	121	-	121

At the Partnership level the Limited Liability Partnership does not hold any financial investments. Consequently investment tables have not been presented for the Partnership.

#### 7.6 Financial Risk Management

The Limited Liability Partnership is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds. The Limited Liability Partnership holds only cash and cash equivalents in respect of financial instruments.

The Limited Liability Partnership 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 Limited Liability Partnership 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 Members therefore relate to the Partnership only. The quantitative disclosures are made in respect of both the Partnership and the Syndicates.

## Castelnau Private Capital LLP

### Notes to the Financial Statements For the year ended 31 December 2018

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

##### 7.6 Financial Risk Management (continued)

###### Credit risk

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

The Limited Liability Partnership manages credit risk at the Limited Liability Partnership level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions.

The carrying amount of the Limited Liability Partnership's financial assets represents the Limited Liability Partnership'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>2018</b>						
Shares and other variable yield securities and units in unit trusts	11,162	3,629	24,080	1,523	56,987	97,381
Debt securities and other fixed income securities	140,041	185,801	197,760	78,706	17,986	620,294
Participation in investment pools	916	20,642	679	41	2,712	24,990
Loans secured with credit institutions	57	15	-	-	686	758
Deposits with credit institutions	-	-	2,685	-	874	3,559
Overseas deposits	41,353	16,598	6,022	7,057	15,376	86,406
Derivative investments	-	-	282	48	128	458
Other investments	-	-	-	-	9	9
Deposits with ceding undertakings	-	-	-	-	67	67
Reinsurers share of claims outstanding	26,982	67,784	238,011	657	29,802	363,236
Reinsurance debtors	714	3,493	13,527	1	3,456	21,191
Cash at bank and in hand	280	519	33,072	2,845	4,493	41,209
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	221,505	298,481	516,118	90,878	132,576	1,259,558

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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

#### 7.6 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2017</b>						
Shares and other variable yield securities and units in unit trusts	7,029	2,912	17,908	6,042	61,301	95,192
Debt securities and other fixed income securities	149,543	180,466	225,492	75,909	12,033	643,443
Participation in investment pools	11,887	3,422	1,468	56	3,185	20,018
Loans secured with credit institutions	-	34	-	-	618	652
Deposits with credit institutions	-	17	2,378	-	1,086	3,481
Overseas deposits	39,166	18,193	6,974	8,149	12,436	84,918
Derivative investments	-	52	310	121	1,407	1,890
Other investments	-	-	-	-	8	8
Deposits with ceding undertakings	-	-	-	-	61	61
Reinsurers share of claims outstanding	1,275	67,919	233,661	3,376	27,135	333,366
Reinsurance debtors	-	2,351	7,312	182	4,722	14,567
Cash at bank and in hand	5,348	1,830	27,598	5,406	533	40,715
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	214,248	277,196	523,101	99,241	124,525	1,238,311

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>2018</b>						
Shares and other variable yield securities and units in unit trusts	97,381	-	-	-	-	97,381
Debt securities and other fixed income securities	620,294	-	-	-	-	620,294
Participation in investment pools	24,990	-	-	-	-	24,990
Loans secured with credit institutions	758	-	-	-	-	758
Deposits with credit institutions	3,559	-	-	-	-	3,559
Overseas deposits	86,406	-	-	-	-	86,406
Derivative investments	458	-	-	-	-	458
Other investments	9	-	-	-	-	9
Deposits with ceding undertakings	67	-	-	-	-	67
Reinsurers share of claims outstanding	363,261	-	-	-	(25)	363,236
Reinsurance debtors	15,011	6,007	109	66	(2)	21,191
Cash at bank and in hand	41,209	-	-	-	-	41,209
Insurance debtors	174,418	8,754	1,742	2,915	(47)	187,782
Other debtors	399,477	372	175	-	-	400,024
	1,827,298	15,133	2,026	2,981	(74)	1,847,364

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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

#### 7.6 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>2017</b>						
Shares and other variable yield securities and units in unit trusts	95,192	-	-	-	-	95,192
Debt securities and other fixed income securities	643,443	-	-	-	-	643,443
Participation in investment pools	20,018	-	-	-	-	20,018
Loans secured with credit institutions	652	-	-	-	-	652
Deposits with credit institutions	3,481	-	-	-	-	3,481
Overseas deposits	84,918	-	-	-	-	84,918
Derivative investments	1,890	-	-	-	-	1,890
Other investments	8	-	-	-	-	8
Deposits with ceding undertakings	61	-	-	-	-	61
Reinsurers share of claims outstanding	333,416	-	-	-	(50)	333,366
Reinsurance debtors	11,064	3,136	180	190	(3)	14,567
Cash at bank and in hand	40,715	-	-	-	-	40,715
Insurance debtors	149,422	8,566	1,993	4,823	(27)	164,777
Other debtors	366,273	319	22	-	-	366,614
	<b>1,750,553</b>	<b>12,021</b>	<b>2,195</b>	<b>5,013</b>	<b>(80)</b>	<b>1,769,702</b>

#### Liquidity risk

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

The following tables detail the Limited Liability Partnership'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 Partnership 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>2018</b>						
Derivative financial instruments	-	414	-	-	-	414
Deposits received from reinsurers	-	4,470	-	-	-	4,470
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	499,925	485,053	198,302	167,200	1,350,480
Creditors	64	173,421	32,842	7,714	-	214,041
Other	-	-	-	-	-	-
	<b>64</b>	<b>678,230</b>	<b>517,895</b>	<b>206,016</b>	<b>167,200</b>	<b>1,569,405</b>



# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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

#### 7.6 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>2017</b>						
Derivative financial instruments	-	121	-	-	-	121
Deposits received from reinsurers	-	124	-	-	-	124
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	1,853	460,935	464,612	191,957	139,290	1,258,647
Creditors	1,548	176,588	26,377	7,225	3	211,741
Other	-	-	-	-	-	-
	3,401	637,768	490,989	199,182	139,293	1,470,633

At the Partnership level the Limited Liability Partnership is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Partnership.

#### 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 Limited Liability Partnership is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Partnership level the Limited Liability Partnership 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 Limited Liability Partnership.

Syndicate participation	2018 £	2017 £
Impact of 50 basis point increase on profit or loss	(6,772)	(6,851)
Impact of 50 basis point decrease on profit or loss	6,586	6,777
Impact of 50 basis point increase on equity	(6,772)	(6,851)
Impact of 50 basis point decrease on equity	6,586	6,777

At the Partnership level the Limited Liability Partnership 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 Partnership.

#### 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 Limited Liability Partnership is exposed to equity price risk in respect of its equity investments.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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

#### 7.6 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 Limited Liability Partnership.

##### Syndicate participation

	2018 £	2017 £
Impact on profit or loss of 5% increase in Stock Market Prices	2,503	1,224
Impact on profit or loss of 5% decrease in Stock Market Prices	(2,502)	(1,224)
Impact on equity of 5% increase in Stock Market Prices	2,503	1,224
Impact on equity of 5% decrease in Stock Market Prices	(2,502)	(1,224)

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

##### Currency risk

The Limited Liability Partnership 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 Partnership level the Limited Liability Partnership 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 Limited Liability Partnership's principal foreign exchange exposures in aggregate.

##### Net assets and liabilities

	2018		2017	
	Syndicate Participation £	Partnership £	Syndicate Participation £	Partnership £
Sterling	(153,436)	2,087	(143,675)	(13,187)
United States Dollar	(84,956)	-	(37,007)	-
Euro	33,463	-	44,107	-
Canadian Dollar	60,160	-	57,494	-
Australian Dollar	10,398	-	12,457	-
Japanese Yen	(2,982)	-	(42)	-
Other	7,880	-	5,436	-

## Castelnau Private Capital LLP

### Notes to the Financial Statements For the year ended 31 December 2018

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

##### 7.6 Financial Risk Management (continued)

The Limited Liability Partnership 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 Partnership in these financial statements.

The Limited Liability Partnership's assets are held in various currencies but are all cash. As such, any exchange movement would be accounted for in the profit and loss.

	Partnership Profit and loss			
	31 December 2018		31 December 2017	
	Increase £	Decrease £	Increase £	Decrease £
Effect of Sterling exchange movement by 10%				
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

##### 7.7 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.

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the solvency capital requirement of the Syndicate, since this has been previously calculated using Solvency II principles.

The total Members' interests represent the capital which allows the Limited Liability Partnership to participate on the Syndicates.

The Partnership has complied with all externally imposed capital requirements during the year.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 8. Insurance Contracts

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

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	1,258,647	333,366	925,281	1,111,885	217,627	894,258
Movements in the year	63,254	25,335	37,919	236,970	129,631	107,339
Exchange differences	28,579	4,535	24,044	(90,208)	(13,892)	(76,316)
At 31 December	1,350,480	363,236	987,244	1,258,647	333,366	925,281

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

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	334,744	53,291	281,453	360,313	51,444	308,869
Movements in the year	29,797	8,110	21,687	(171)	6,694	(6,865)
Exchange differences	14,274	3,041	11,233	(25,398)	(4,847)	(20,551)
At 31 December	378,815	64,442	314,373	334,744	53,291	281,453

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

	2018 £	2017 £
At 1 January	97,545	96,611
Movements in the year	5,262	3,698
Exchange differences	2,512	(2,764)
At 31 December	105,319	97,545

### 8.1 Risks arising from Insurance Contracts

The Limited Liability Partnership 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 by the Limited Liability Partnership. 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.

# Castelnau Private Capital LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 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
2011	263,828	403,562	401,083	397,878	390,220	385,308	377,798	372,807
2012	259,652	376,214	367,379	353,107	347,975	341,543	339,277	
2013	205,069	358,210	351,894	340,568	331,765	328,729		
2014	205,258	352,288	362,669	350,110	364,762			
2015	194,191	376,450	383,314	375,582				
2016	231,760	465,080	482,919					
2017	414,647	623,626						
2018	334,363							

	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011	342,519	30,288	(30,178)
2012	302,300	36,977	(49,789)
2013	281,938	46,790	(36,134)
2014	269,991	94,770	(46,042)
2015	258,240	117,343	(43,257)
2016	246,481	236,437	
2017	250,023	373,603	
2018	41,191	293,171	

#### 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
2011	215,504	333,292	328,720	318,154	309,412	306,459	302,390	298,721
2012	207,980	315,318	308,487	294,023	288,992	285,888	284,254	
2013	173,642	311,953	304,319	294,552	288,416	285,478		
2014	172,780	308,041	317,997	306,898	312,269			
2015	165,314	326,257	331,333	325,202				
2016	185,920	378,178	398,859					
2017	263,870	436,275						
2018	236,438							

	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011	277,838	20,883	(36,483)
2012	253,247	31,007	(46,929)
2013	244,421	41,056	(38,942)
2014	244,345	67,924	(39,337)
2015	227,439	97,763	(36,517)
2016	207,670	191,189	
2017	181,303	254,972	
2018	35,183	201,256	

## **Castelnau Private Capital LLP**

### **Notes to the Financial Statements For the year ended 31 December 2018**

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**9. Related Party Disclosure**

There are no related party transactions other than those disclosed in the members interest statements. Related party loans and balances do not attract interest and are repayable on demand.

**10. Ultimate Controlling Party**

The ultimate controlling party of the Partnership is Mr N Hackett.