

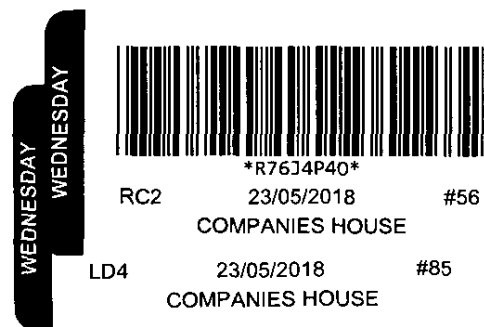
Company registration number: 10343721

Talgesern Limited

**Report and financial statements
31 December 2017**

Contents:

Company information	1
Strategic report	2
Report of the director	3
Independent auditor's report	5
Profit and loss account - technical account	7
Profit and loss account - non-technical account	8
Balance sheet	9
Statement of changes in equity	11
Cash flow statement	12
Notes to the financial statements	13



Talgesern Limited
Company information

Director *Mr R M John*

Company Secretary *Argenta Secretariat Limited*

Registered Office *5th Floor
70 Gracechurch Street
London
EC3V 0XL*

Auditors *Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD*

Accountants *Argenta Tax & Corporate Services Limited
5th Floor
70 Gracechurch Street
London EC3V 0XL*

Talgesern Limited Strategic Report

The Director submits his Strategic Report for the Company for the period ended 31 December 2017.

Business Review

The Company commenced its principal activity of trading as a Lloyd's corporate capital member on 1 January 2017 and continues to write insurance business in the Lloyd's insurance market.

The financial statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2017 year of account. The 2017 open underwriting account will normally close at 31 December 2019.

Results and Dividends

The results for the period are set out on pages 7 to 8 of the financial statements. No dividends were paid in the period.

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.

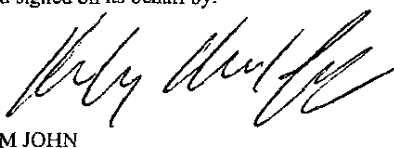
Key Performance Indicators

The Director monitors the performance of the Company by reference to the following key performance indicators:

	2017
Capacity (youngest underwriting year)	£ 712,875
Gross premium written as a % of capacity	87.8%
Combined ratio	147.9%

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

Approved by the Board on 21.5.2018
and signed on its behalf by:



R M JOHN

Director

Talgesern Limited

Report of the Director

The Director submits his Report together with the audited financial statements of the Company for the period ended 31 December 2017.

Principal Activities

The Company was incorporated on 24 August 2016.

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to underwrite for the 2018 year of account.

Statement of Director's Responsibilities

The Director is responsible for preparing the Strategic report, Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has 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 Director 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 Director is 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 Director is 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. He is 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 Director who served at any time during the period was as follows:

Mr R M John

Talgesern Limited
Report of the Director (continued)

Auditors

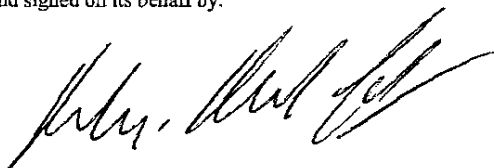
Mazars LLP have been appointed as auditors to the Company during the period.

In the case of each person who is a Director at the time this report is approved, the following applies:

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

Approved by the Board on
and signed on its behalf by:

21.5 2018



R M JOHN

Director

Talgesern Limited

Independent Auditor's report

Independent auditor's report to the member of Talgesern Limited

Opinion

We have audited the financial statements of Talgesern Limited (the 'company') for the year ended 31 December 2017 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity, Cash flow statement 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 2017 and of its result 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.

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.

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.

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 Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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 director are responsible for the other information. The other information comprises the information included in the report and financial statements, 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.

Talgesern 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 Director's 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 Director's 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 Director's.

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 director's remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Director

As explained more fully in the Statement of Director's responsibilities set out on page 3, the director 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 directors 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 director 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.

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. This description forms part of our auditor's report.



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

22 May 2018

Talgesern Limited
Profit and loss account
Technical account – general business
For the period ended 31 December 2017

	Note	2017 £
Premiums		
Gross premiums written	1	625,914
Outward reinsurance premiums	1	(148,543)
Net premiums written		<u>477,371</u>
Change in the provision for unearned premiums		
Gross provision	1	(285,004)
Reinsurers' share	1	50,914
Earned premiums, net of reinsurance		<u>243,281</u>
Allocated investment return transferred from the non-technical account		1,911
Other technical income, net of reinsurance		11
Claims paid		
Gross amount	1	(69,984)
Reinsurers' share	1	12,974
Net claims paid		<u>(57,010)</u>
Change in provision for claims		
Gross amount	1	(337,950)
Reinsurers' share	1	145,102
Change in net provision for claims		<u>(192,848)</u>
Claims incurred, net of reinsurance		(249,858)
Changes in other technical provisions, net of reinsurance		-
Net operating expenses	1,2	(110,056)
Other technical charges, net of reinsurance		-
Balance on the technical account for general business		<u>(114,711)</u>

The accounting policies and notes on pages 13 to 36 form part of these Financial Statements.

Talgesern Limited
Profit and loss account
Non - technical account
For the period ended 31 December 2017

	Note	2017 £
Balance on technical account for general business		(114,711)
Investment income	3	1,911
Allocated investment return transferred to the general business technical account		(1,911)
Other income		2,005
Other charges, including value adjustments		(66,835)
Profit/(loss) on ordinary activities before taxation	4	(179,541)
Tax on profit/(loss) on ordinary activities	5	31,032
Profit/(loss) for the financial year		(148,509)
Other comprehensive income/(expenditure):		
Currency translation differences		1,800
Tax on other comprehensive income		(315)
Total comprehensive income/(expenditure)	10	(147,024)

All amounts relate to continuing operations.

The accounting policies and notes on pages 13 to 36 form part of these Financial Statements.

Talgesern Limited
Balance sheet
As at 31 December 2017

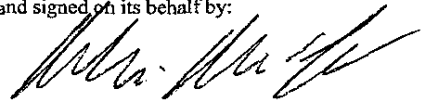
		31 December 2017		
	Note	Syndicate Participation £	Corporate £	Total £
Assets				
Intangible assets	6	-	245,628	245,628
Investments				
Other financial investments	7	119,573	-	119,573
Deposits with ceding undertakings		2	-	2
		119,575	-	119,575
Reinsurers' share of technical provisions				
Provision for unearned premiums	8	48,711	-	48,711
Claims outstanding	8	138,739	-	138,739
Other technical provisions		-	-	-
		187,450	-	187,450
Debtors				
Arising out of direct insurance operations		128,384	-	128,384
Arising out of reinsurance operations		73,782	-	73,782
Other debtors	7	(8,698)	30,717	22,019
		193,468	30,717	224,185
Other assets				
Cash at bank and in hand		8,472	-	8,472
Other		4,950	-	4,950
		13,422	-	13,422
Prepayments and accrued income				
Accrued interest		131	-	131
Deferred acquisitions costs	8	75,700	-	75,700
Other prepayments and accrued income		1,225	-	1,225
		77,056	-	77,056
Total assets		590,971	276,345	867,316

The accounting policies and notes on pages 13 to 36 form part of these Financial Statements.

Talgesern Limited
Balance sheet
As at 31 December 2017

31 December 2017			
	Note	Syndicate Participation £	Corporate £ Total £
Liabilities and shareholders' funds			
Capital and reserves			
Called up share capital	9	-	100
Capital redemption		-	-
Capital contribution		-	-
Share premium account		-	-
Profit and loss account	10	(102,374)	(44,650)
Shareholders' funds – attributable to equity interests		(102,374)	(44,550)
Technical provisions			
Provision for unearned premiums	8	274,834	-
Claims outstanding	8	317,169	-
Other technical provisions		-	-
Provisions for other risks and charges			
Deferred taxation	11	-	-
Other		-	-
Deposit received from reinsurers		2,761	-
Creditors			
Arising out of direct insurance operations		12,091	-
Arising out of reinsurance operations		57,028	-
Amounts owed to credit institutions		-	-
Other creditors including taxation and social security	7	20,986	318,895
		684,869	318,895
Accruals and deferred income		8,476	2,000
Total liabilities		590,971	276,345
			867,316

Approved and authorised for issue by the Board of Directors on 21.5. 2018
and signed on its behalf by:


R M JOHN
Director

Company registration number: 10343721

The accounting policies and notes on pages 13 to 36 form part of these Financial Statements.

Talgesern Limited
Statement of changes in equity
For the period ended 31 December 2017

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Profit/(loss) for the period	-	-	-	(148,509)	-	(148,509)
Other comprehensive income	-	-	-	1,485	-	1,485
Total comprehensive income	-	-	-	(147,024)	-	(147,024)
Proceeds from the issue of shares	100	-	-	-	-	100
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2017	100	-	-	(147,024)	-	(146,924)

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 sold, 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 13 to 36 form part of these Financial Statements.

Talgesern Limited
Cash flow statement
For the period ended 31 December 2017

	2017 £
Operating activities	
Profit/(loss) on ordinary activities before tax	(179,541)
(Profit)/loss attributable to syndicate transactions	104,174
Profit/(loss) - excluding syndicate transactions	<u>(75,367)</u>
Adjusted for:	
(Increase)/decrease in debtors	-
Increase/(decrease) in creditors	320,895
(Profit)/loss on disposal of intangible assets	13
Amortisation of syndicate capacity	60,156
Realised/unrealised (gains)/losses on investments	-
Investment income	-
Corporation and overseas taxes (paid)/refunded	<u>-</u>
Net cash inflow/(outflow) from operating activities	<u>305,697</u>
Investing activities	
Investment income	-
Purchase of syndicate capacity	(305,797)
Proceeds from sale of syndicate capacity	-
Purchase of financial investments	-
Proceeds from sale of financial investments	<u>-</u>
Net cash (outflow)/inflow from investing activities	<u>(305,797)</u>
Financing activities	
Issue of shares	100
Share issue expenses	-
Capital contribution/redemption	-
Equity dividends paid	<u>-</u>
Net cash (outflow)/inflow from financing activities	<u>100</u>
Net cash increase/(decrease) in cash and cash equivalents	-
Effect of exchange rates on cash and cash equivalents	-
Cash and cash equivalents at the beginning of the year	<u>-</u>
Cash and cash equivalents at the end of the year	<u>-</u>
Consisting of:	
Cash at bank and in hand	-
Cash equivalents	<u>-</u>
	<u>-</u>

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 13 to 36 form part of these Financial Statements.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

Basis of preparation of financial statements

General information

The Company is a limited company incorporated in the 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*, FRS 103 *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"). 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 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.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

Accounting policies

i Going concern

As at 31 December 2017 the Company had net liabilities of £146,924. The director considers the Company to be a going concern and has prepared the financial statements on that basis. The Company is continuing to underwrite at Lloyd's for the 2018 year of account.

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 Director considers 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.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

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 receivables, trade and other payables 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.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

Accounting policies (continued)

viii Financial instruments (continued)

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.

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 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.

xi 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.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

Accounting policies (continued)

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.

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 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).

xvi 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.

xvii 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.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

Accounting policies (continued)

xvii 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.

xviii Critical accounting judgements and key sources of estimated uncertainty

In applying the Company's accounting policies, the Director is required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Director's 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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 Director 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 Director has 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 Director has 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.

Estimating value in use

Where an indication of impairment exists the Director will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires the Director to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

Recoverability of receivables

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Director considers 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 Director has assessed the useful life of syndicate capacity to be five years. This is on the basis that the Director considers this to be the life over which value is created from the investment made.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

1. Class of Business

2017	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	17,464	8,894	(4,846)	(4,350)	(234)	(536)
Motor – third party liability	1,895	838	(516)	(339)	(8)	(25)
Motor – other classes	13,060	6,122	(4,485)	(2,464)	98	(729)
Marine, aviation and transport	67,942	34,912	(28,224)	(13,709)	(108)	(7,129)
Fire and other damage to property	169,603	83,228	(121,973)	(30,966)	24,901	(44,810)
Third party liability	143,464	64,393	(42,250)	(25,977)	(2,168)	(6,002)
Credit and suretyship	14,769	6,876	(5,136)	(2,762)	(242)	(1,264)
Legal expenses	543	249	(126)	(101)	(11)	11
Assistance	-	-	-	-	-	-
Miscellaneous	4,664	2,027	(1,131)	(991)	(114)	(209)
	433,404	207,539	(208,687)	(81,659)	22,114	(60,693)
Reinsurance	192,510	133,371	(199,247)	(28,397)	38,333	(55,940)
Total	625,914	340,910	(407,934)	(110,056)	60,447	(116,633)

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.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

2. Net Operating Expenses

	2017
	£
Acquisition costs	162,726
Change in deferred acquisition costs	(78,630)
Administrative expenses	27,442
Reinsurance commissions and profit participations	(10,450)
Personal expenses	8,968
	<hr/>
	110,056
	<hr/>

3. Investment Income

	2017
	£
Financial instruments held at fair value through profit or loss:	
Interest and dividend income	1,404
Realised gains and losses	438
Unrealised gains and losses	254
Other	-
	<hr/>
	2,096
	<hr/>
Financial instruments held at amortised cost:	
Interest	-
Other	-
	<hr/>
	-
	<hr/>
Investment management expenses, including interest	(185)
	(185)
	<hr/>
	1,911
	<hr/>

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

	2017
	£
Operating profit/(loss) is stated after charging:	
Director's remuneration	-
Amortisation of syndicate capacity	60,156
(Profit)/loss on disposal of intangible fixed assets	13
(Profit)/loss on exchange	(2,018)

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

The Director is considered to be the key management personnel of the Company.

The fees payable to the Company's auditor for audit services are included in the fees payable to the Members' Agent.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

5. Taxation

2017
£

Analysis of charge in period

Current tax:	
UK corporation tax on profit/(loss) of the period	-
Adjustment in respect of previous period	-
	<hr/>
Foreign tax	-
	<hr/>
Total current tax	-
Deferred tax:	
Origination and reversal of timing differences	(30,717)
Change in tax rate	-
	<hr/>
Total tax	<u>(30,717)</u>

Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 19.25%. The differences are explained below:

Profit/(loss) on ordinary activities before tax	<u>(179,541)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25%	(34,562)
Effects of:	
Change in deferred tax rate	-
Deferred tax asset previously unrecognised	-
Foreign tax	-
Expenses not deductible for tax purposes	-
Other corporation computation adjustments	-
Marginal rates of taxation and prior period adjustment	<u>3,845</u>
Total tax charge/(credit) for the period	<u>(30,717)</u>

The results of the Company's participation on 2017 year of account will not be assessed to tax until the year ended 31 December 2020, being the year after the normal date of closure of the 2017 year of account.

The current UK corporation tax rate is 19%. The rate will be reduced to 17% from 1 April 2020. The effect of this reduction is reflected in the recognised deferred tax liability/(asset).

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

6. Intangible Assets	2017
	£
Purchased Syndicate Capacity	
Cost	
At 24 August 2016	-
Additions	305,797
Disposals	(13)
	<hr/>
At 31 December 2017	305,784
	<hr/>
Amortisation	
At 24 August 2016	-
Additions	60,156
Disposals	-
	<hr/>
At 31 December 2017	60,156
	<hr/>
Net Book Value	
At 31 December 2017	<hr/>
	245,628
	<hr/>

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Syndicate participation

	2017
	Market Value
	£
Shares and other variable yield securities and units in unit trusts	22,983
Debt securities and other fixed income securities	91,646
Participation in investment pools	1,614
Loans with credit institutions	109
Derivative financial instruments	134
Other investments	220
Deposits with credit institutions	1,143
Other	1,724
	<hr/>
	119,573
	<hr/>

Other financial investments – Corporate

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

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors

	2017		
	Syndicate Participation	Corporate	Total
	£	£	£
Amounts falling due within one year:			
Arising out of direct insurance operations	126,695	-	126,695
Arising out of reinsurance operations	41,761	-	41,761
Other Debtors:			
Amounts due from group undertakings	-	-	-
Other	(12,691)	30,717	18,026
Total Amounts falling due within one year	155,765	30,717	186,482
Amounts falling due after one year:			
Arising out of direct insurance operations	1,689	-	1,689
Arising out of reinsurance operations	32,021	-	32,021
Other Debtors:			
Amounts due from group undertakings	-	-	-
Other	3,993	-	3,993
Total Amounts falling due after one year	37,703	-	37,703
	193,468	30,717	224,185

7.3 Funds at Lloyd's

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

	2017		
	Syndicate Participation		Total
	£	£	£
Cash	-	-	-
Investments	-	-	-
	-	-	-

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.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.4 Creditors

			2017
	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:			
Arising out of direct insurance operations	12,079	-	12,079
Arising out of reinsurance operations	45,018	-	45,018
Amounts owed to credit institutions	-	-	-
Other creditors:			
Corporation tax	-	-	-
Director's loan accounts	-	318,895	318,895
Third party funds	-	-	-
Other creditors	19,295	-	19,295
Amount due to group undertakings	-	-	-
Total Amounts falling due within one year	76,392	318,895	395,287
Amounts falling due after one year:			
Arising out of direct insurance operations	12	-	12
Arising out of reinsurance operations	12,010	-	12,010
Amounts owed to credit institutions	-	-	-
Other creditors:			
Corporation tax	-	-	-
Director's loan accounts	-	-	-
Third party funds	-	-	-
Other creditors	1,691	-	1,691
Amount due to group undertakings	-	-	-
Total Amounts falling due after one year	13,713	-	13,713
	90,105	318,895	409,000

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

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

	At fair value through profit or loss £	At amortised cost £	2017 Total £
Financial assets			
Investments	119,573	-	119,573
Deposits with ceding undertakings	-	2	2
Insurance debtors	-	128,384	128,384
Reinsurance debtors	-	73,782	73,782
Other debtors	-	(8,698)	(8,698)
Cash at bank and in hand	-	8,472	8,472
Other assets	4,950	-	4,950
	<u>124,523</u>	<u>201,942</u>	<u>326,465</u>
Financial liabilities			
Borrowings	-	-	-
Derivative financial instruments	(38)	-	(38)
Insurance creditors	-	12,091	12,091
Reinsurance creditors	-	57,028	57,028
Amounts owed to credit institutions	-	-	-
Other creditors	-	-	-
	<u>(38)</u>	<u>69,119</u>	<u>69,081</u>

Other financial investments – Corporate

	At fair value through profit or loss £	2017 Total £
Financial assets		
Investments	-	-
Other debtors	-	30,717
Cash at bank and in hand	-	-
Other assets	-	-
	<u>-</u>	<u>30,717</u>
Financial liabilities		
Other creditors	-	318,895
	<u>-</u>	<u>318,895</u>

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

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.

		2017
	Notional amount £	Fair value £
Foreign exchange forward contracts	5,560	105
Interest rate future contracts	974	2
Foreign exchange options	-	-
Equity options	-	-
Foreign exchange contract for difference	1,321	12
Other	580	15
	<hr/> 8,435	<hr/> 134

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.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

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 £
2017						
Financial assets						
Shares and other variable yield securities and units in unit trusts	1,322	20,430	1,231	22,983	-	22,983
Debt securities and other fixed income securities	31,962	59,684	-	91,646	-	91,646
Participation in investment pools	809	660	145	1,614	-	1,614
Loans and deposits with credit institutions	1,142	110	220	1,472	-	1,472
Overseas deposits	3,030	3,564	80	6,674	-	6,674
Derivatives	143	(9)	-	134	-	134
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	38,408	84,439	1,676	124,523	-	124,523
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	(38)	-	-	(38)	-	(38)
Financial liabilities classified as held for sale	-	-	-	-	-	-
	(38)	-	-	(38)	-	(38)

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

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

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2017						
Financial assets						
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
- Foreign exchange 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 Director therefore relate to the Corporate only. The quantitative disclosures are made in respect of both the Corporate and the Syndicates.

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

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 £
2017						
Shares and other variable yield securities and units in unit trusts	4,780	373	5,218	578	12,034	22,983
Debt securities and other fixed income securities	25,401	25,180	26,525	11,394	3,146	91,646
Participation in investment pools	490	602	342	49	131	1,614
Loans secured with credit institutions	109	-	-	-	220	329
Deposits with credit institutions	-	-	756	-	387	1,143
Overseas deposits	2,625	983	584	774	1,708	6,674
Derivative investments	-	18	109	26	(19)	134
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	2	2
Reinsurers share of claims outstanding	1,073	17,363	101,899	589	17,815	138,739
Reinsurance debtors	-	280	1,626	-	2,270	4,176
Cash at bank and in hand	1,897	418	5,493	601	63	8,472
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	36,375	45,217	142,552	14,011	37,757	275,912

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management – Credit risk (continued)

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 £
2017						
Shares and other variable yield securities and units in unit trusts	22,983	-	-	-	-	22,983
Debt securities and other fixed income securities	91,646	-	-	-	-	91,646
Participation in investment pools	1,614	-	-	-	-	1,614
Loans secured with credit institutions	329	-	-	-	-	329
Deposits with credit institutions	1,143	-	-	-	-	1,143
Overseas deposits	6,674	-	-	-	-	6,674
Derivative investments	134	-	-	-	-	134
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	2	-	-	-	-	2
Reinsurers share of claims outstanding	138,739	-	-	-	-	138,739
Reinsurance debtors	3,560	610	3	3	-	4,176
Cash at bank and in hand	8,472	-	-	-	-	8,472
Insurance debtors	115,577	11,207	1,599	1	-	128,384
Other debtors	180,073	377	27	-	-	180,477
	570,946	12,194	1,629	4	-	584,773

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 £
2017						
Derivative financial instruments	-	(38)	-	-	-	(38)
Deposits received from reinsurers	-	914	1,124	720	3	2,761
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	116,118	114,064	63,735	23,252	317,169
Creditors	1,391	65,975	7,896	7,642	5	82,909
Other	-	-	-	-	-	-
	1,391	182,969	123,084	72,097	23,260	402,801

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

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

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

	2017
	£
Impact of 50 basis point increase on profit or loss	(674)
Impact of 50 basis point decrease on profit or loss	669
Impact of 50 basis point increase on equity	(674)
Impact of 50 basis point decrease on equity	669

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.

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.

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.

Syndicate participation

	2017
	£
Impact on profit or loss of 5% increase in Stock Market Prices	364
Impact on profit or loss of 5% decrease in Stock Market Prices	(364)
Impact on equity of 5% increase in Stock Market Prices	364
Impact on equity of 5% decrease in Stock Market Prices	(364)

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

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.

Net assets and liabilities

	2017	
	Syndicate Participation £	Corporate £
Sterling	(39,256)	(290,178)
United States Dollar	(107,367)	-
Euro	22,762	-
Canadian Dollar	6,283	-
Australian Dollar	2,649	-
Japanese Yen	(1)	-
Other	3,618	-

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 2017	
	Increase £	Decrease £
Effect of sterling exchange movement by 10%		
United States Dollar	-	-
Euro	-	-
Canadian Dollar	-	-
Australian Dollar	-	-
Japanese Yen	-	-
Other	-	-

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

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 capital uplift applied for 2016 was 35% of the member's SCR "to ultimate".

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

8. Insurance Contracts

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

	Gross provision		2017
	£		Net
			£
At 24 August 2016	-	-	-
Movements in the period	329,431	145,102	184,329
Exchange differences	(12,262)	(6,363)	(5,899)
At 31 December 2017	<u>317,169</u>	<u>138,739</u>	<u>178,430</u>

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

	Gross provision		2017
	£		Net
			£
At 24 August 2016	-	-	-
Movements in the period	285,004	50,914	234,090
Exchange differences	(10,170)	(2,203)	(7,967)
At 31 December 2017	<u>274,834</u>	<u>48,711</u>	<u>226,123</u>

Talgesern Limited
Notes to the Financial Statements
For the period ended 31 December 2017

8. Insurance Contracts (continued)

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

	2017 £
At 24 August 2016	-
Movements in the period	78,630
Exchange differences	(2,930)
At 31 December 2017	<u>75,700</u>

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.

Claims development – gross

Reporting year	2017 £	Total £
Estimate of cumulative claims		
At end of reporting year	383,968	383,968
One year later	-	-
Two years later	-	-
Three years later	-	-
Four years later	-	-
Five years later	-	-
Cumulative payments to date	66,799	66,799
Estimated balance to pay	<u>317,168</u>	<u>317,168</u>

Talgesern Limited
Notes to the Financial Statements
For the year ended 31 December 2017

8. Insurance Contracts (continued)

8.1 Risks arising from Insurance Contracts (continued)

Claims development – net

Reporting year	2017 £	Total £
Estimate of cumulative claims		
At end of reporting year	232,486	232,486
One year later	-	-
Two years later	-	-
Three years later	-	-
Four years later	-	-
Five years later	-	-
Cumulative payments to date	54,056	54,056
Estimated balance to pay	178,429	178,429

9. Called-up Share Capital

Issued and fully paid	At 24 August 2016	Issued during the period	Redeemed during the period	At 31 December 2017
Par value per share				
Ordinary £1 shares	-	100	-	100
Total	-	100	-	100

During the period 100 Ordinary £1 shares were issued for a total consideration of £100.

Talgesern Limited

Notes to the Financial Statements For the period ended 31 December 2017

10. Profit and Loss Account

	Syndicate Participation £	Corporate £	2017 Total £
Reallocate distribution	-	-	-
Profit/(loss) for the financial period	(102,374)	(44,650)	(147,024)
Equity dividends	-	-	-
Retained profit/(loss) carried forward	<u>(102,374)</u>	<u>(44,650)</u>	<u>(147,024)</u>

11. Deferred Tax

	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	2017 Total £
At 24 August 2016	-	-	-	-	-
Movement in the year	(17,862)	(11,364)	-	(1,491)	(30,717)
At 31 December 2017	<u>(17,862)</u>	<u>(11,364)</u>	<u>-</u>	<u>(1,491)</u>	<u>(30,717)</u>

The unused tax losses carried forward at the Balance Sheet date are £66,848. 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).

12. Related Party Disclosure

During the year the Director made loans to and from the Company. At the Balance Sheet date the amount due (to)/from the Company was £318,895.

Any related party loans and balances do not attract interest and are repayable on demand.

13. Ultimate Controlling Party

The Company is controlled by Mr R M John who holds 100% of the issued £100 ordinary share capital.