

Company registration number: 9123773

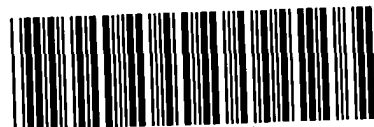
Macdonald Boston Co. Limited

**Report and financial statements
31 December 2016**

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Macdonald Boston Co. Limited

Company information

Directors

Mr R L Macdonald
Mr J A Mackay
APCL Corporate Director No. 1 Limited
APCL Corporate Director No. 2 Limited

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

Macdonald Boston Co. Limited

Strategic Report

The Directors submit their Strategic Report for the Group for the year ended 31 December 2016.

Business Review

The Group continues to write insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member.

The financial statements incorporate the annual accounting results of the Syndicates on which the Group participates for the 2015 and 2016 years of account. The 2015 and 2016 open underwriting account will normally close at 31 December 2017 and 2018.

Results and Dividends

The results for the year are set out on pages 6 to 7 of the financial statements. Dividends totalling £Nil were paid in the year (2015 - £Nil).

Financial Risk Management Objectives and Policies

The Group 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 Group 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 Group.

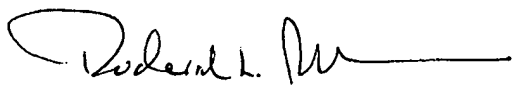
Hedge accounting is not used by the Group.

Key Performance Indicators

	2016	2015
Capacity (youngest underwriting year)	£ 447,774	£ 434,588
Gross premium written as a % of capacity	96.4%	86.1%
Underwriting profit of latest closed year:		
as a % of capacity	0.0%	0.0%
Run-off years of account movement	£ -	£ -
Combined ratio	97.6%	88.5%

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

Approved by the Board on 13 Sept 2017
and signed on its behalf by:



R L MACDONALD

Director

Macdonald Boston Co. Limited

Report of the Directors

The Directors submit their Report together with the audited financial statements of the Group for the year ended 31 December 2016.

Principal Activities

The principal activity of the Group is that of trading as a Lloyd's corporate capital member through its participation as a member of a Limited Liability Partnership. The Group continues to underwrite for the 2017 year of account through its wholly owned subsidiary.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

Directors

The Directors who served at any time during the year were as follows:

Mr R L Macdonald
Mr J A Mackay (Appointed 7 March 2016)
APCL Corporate Director No. 1 Limited
APCL Corporate Director No. 2 Limited
Mr D P Reames (Resigned 24 February 2016)

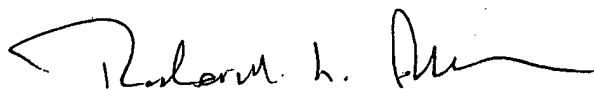
Auditors

Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

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

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

Approved by the Board on 13 Sept. 2017
and signed on its behalf by:



R L MACDONALD

Director

Macdonald Boston Co. Limited

Independent Auditor's report

Independent auditor's report to the members of Macdonald Boston Co. Limited

We have audited the financial statements of Macdonald Boston Co. Limited for the year ended 31 December 2016 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheet, the Group and Company Statement of Changes in Equity, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of the Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Company's affairs as at 31 December 2016 and of the Group's profit/(loss) for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Macdonald Boston Co. Limited

Independent Auditor's report (continued)

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 and the Directors' Report.

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

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



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

19 September 2017

Macdonald Boston Co. Limited

**Group profit and loss account
Technical account – general business
For the year ended 31 December 2016**

	Note	2016 £	2015 £
Premiums written			
Gross premiums written	1	431,635	374,252
Outward reinsurance premiums	1	(74,843)	(63,072)
Net premiums written		<u>356,792</u>	<u>311,180</u>
Change in the provision for unearned premiums			
Gross provision	1	(15,091)	(13,527)
Reinsurers' share	1	3,915	1,922
Earned premiums, net of reinsurance		<u>345,616</u>	<u>299,575</u>
Allocated investment return transferred from the non-technical account		9,633	3,830
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(186,249)	(159,453)
Reinsurers' share	1	20,978	19,921
Net claims paid		<u>(165,271)</u>	<u>(139,532)</u>
Change in provision for claims			
Gross amount	1	(53,527)	3,272
Reinsurers' share	1	26,757	(508)
Change in net provision for claims		<u>(26,770)</u>	<u>2,764</u>
Claims incurred, net of reinsurance		<u>(192,041)</u>	<u>(136,768)</u>
Changes in other technical provisions, net of reinsurance		(1,316)	1,308
Net operating expenses	1, 2	(145,367)	(128,235)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		<u>16,525</u>	<u>39,710</u>

The accounting policies and notes on pages 14 to 40 form part of these Financial Statements.

Macdonald Boston Co. Limited

Group profit and loss account

Non - technical account

For the year ended 31 December 2016

	Note	2016 £	2015 £
Balance on technical account for general business		16,525	39,710
Investment income	3	9,641	3,836
Allocated investment return transferred to the general business technical account		(9,633)	(3,830)
Other income		9,312	-
Other charges		(59,715)	(56,954)
Profit/(loss) on ordinary activities before taxation	4	(33,870)	(17,238)
Tax on profit/(loss) on ordinary activities	5	5,487	1,769
Profit/(loss) for the financial year		(28,383)	(15,469)
Other comprehensive income		3,481	1,534
Total comprehensive income	10	(24,902)	(13,935)
Total comprehensive income for the year attributable to:			
Owners of parent company		(61,987)	(58,703)
Non-controlling interest		37,085	44,768
		(24,902)	(13,935)

All amounts relate to continuing operations.

The accounting policies and notes on pages 14 to 40 form part of these Financial Statements.

Macdonald Boston Co. Limited

Group balance sheet As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	6	-	119,852	119,852	-	154,469	154,469
Investments							
Financial investments	7	556,934	-	556,934	481,036	-	481,036
Deposits with ceding undertakings		31	-	31	26	-	26
		556,965	-	556,965	481,062	-	481,062
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	29,316	-	29,316	22,061	-	22,061
Claims outstanding	8	134,499	-	134,499	83,128	-	83,128
Other technical provisions		998	-	998	1,308	-	1,308
		164,813	-	164,813	106,497	-	106,497
Debtors							
Arising out of direct insurance operations		98,574	-	98,574	84,843	-	84,843
Arising out of reinsurance operations		109,995	-	109,995	87,958	-	87,958
Other debtors	7	51,160	-	51,160	35,896	-	35,896
		259,729	-	259,729	208,697	-	208,697
Other assets							
Cash at bank and in hand		30,800	-	30,800	23,141	-	23,141
Other		26,802	-	26,802	21,175	-	21,175
		57,602	-	57,602	44,316	-	44,316
Prepayments and accrued income							
Accrued interest		1,590	-	1,590	1,166	-	1,166
Deferred acquisitions costs	8	57,519	-	57,519	45,986	-	45,986
Other prepayments and accrued income		2,909	-	2,909	2,175	-	2,175
		62,018	-	62,018	49,327	-	49,327
Total assets		1,101,127	119,852	1,220,979	889,899	154,469	1,044,368

The accounting policies and notes on pages 14 to 40 form part of these Financial Statements.

Macdonald Boston Co. Limited

Group balance sheet As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	9	-	100	100	-	100	100
Capital redemption		-	-	-	-	-	-
Share premium account		-	-	-	-	-	-
Profit and loss account	10	47,086	(106,702)	(59,616)	42,480	(56,415)	(13,935)
Capital contribution		-	-	-	-	-	-
		47,086	(106,602)	(59,516)	42,480	(56,315)	(13,835)
Equity attributable to owners of the parent company		(17,804)	(102,786)	(120,590)	(11,666)	(46,937)	(58,603)
Non-controlling interests		64,890	(3,816)	61,074	54,146	(9,378)	44,768
		47,086	(106,602)	(59,516)	42,480	(56,315)	(13,835)
Goodwill		-	-	-	-	-	-
Technical provisions							
Provision for unearned premiums	8	218,222	-	218,222	178,365	-	178,365
Claims outstanding	8	699,818	-	699,818	542,483	-	542,483
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	11	-	22,411	22,411	-	29,190	29,190
Other		-	-	-	-	-	-
Deposit received from reinsurers		69	-	69	52	-	52
Creditors							
Arising out of direct insurance operations		10,360	-	10,360	9,209	-	9,209
Arising out of reinsurance operations		57,578	-	57,578	49,516	-	49,516
Amounts owed to credit institutions		-	-	-	1,358	-	1,358
Other creditors including taxation and social security	7	59,781	192,631	252,412	62,014	168,246	230,260
		1,045,828	215,042	1,260,870	842,997	197,436	1,040,433
Accruals and deferred income		8,213	11,412	19,625	4,422	13,348	17,770
Total liabilities		1,101,127	119,852	1,220,979	889,899	154,469	1,044,368

The accounting policies and notes on pages 14 to 40 form part of these Financial Statements.

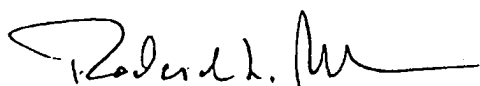
Macdonald Boston Co. Limited

**Company balance sheet
As at 31 December 2016**

	Notes	2016 £	2015 £
Fixed assets			
Investments	7	160,921	160,921
		<u>160,921</u>	<u>160,921</u>
Current assets			
Other debtors	7	7,179	3,003
Prepayments and accrued income		-	-
Cash at bank and in hand		-	-
		<u>7,179</u>	<u>3,003</u>
Provision for deferred taxation		-	-
Current liabilities			
Creditors	7	(174,495)	(160,851)
Accruals and deferred income		(41,842)	(23,089)
		<u>(216,337)</u>	<u>(183,940)</u>
Net assets		<u>(48,237)</u>	<u>(20,016)</u>
Capital and reserves			
Called up share capital	9	100	100
Profit and loss reserve	10	(48,337)	(20,116)
Total shareholders' funds		<u>(48,237)</u>	<u>(20,016)</u>

Approved and authorised for issue by the Board of Directors on 13 Sept 2017

and signed on its behalf by:



R L MACDONALD
Director

Company registration number: 9123773

The accounting policies and notes on pages 14 to 40 form part of these Financial Statements.

Macdonald Boston Co. Limited

**Group statement of changes in equity
For the year ended 31 December 2016**

	Called up share capital	Capital redemption reserve	Share premium account	Profit and loss account	Capital contribution reserve	Shareholders' equity	Former Members' account	Total Equity
	£	£	£	£	£	£	£	£
Opening balance	100	-	-	-	-	100	-	100
Profit/(loss) for the year	-	-	-	(58,666)	-	(58,666)	43,197	(15,469)
Other comprehensive income	-	-	-	(37)	-	(37)	1,571	1,534
Total comprehensive income	-	-	-	(58,703)	-	(58,703)	44,768	(13,935)
Proceeds from the issue of shares	-	-	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-	-	-
Distribution to minority interest	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
As at 31 December 2015	100	-	-	(58,703)	-	(58,603)	44,768	(13,835)
Profit/(loss) for the year	-	-	-	(61,652)	-	(61,652)	33,269	(28,383)
Other comprehensive income	-	-	-	(335)	-	(335)	3,816	3,481
Total comprehensive income	-	-	-	(61,987)	-	(61,987)	37,085	(24,902)
Proceeds from the issue of shares	-	-	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-	-	-
Distribution to minority interest	-	-	-	-	-	-	(20,779)	(20,779)
Dividends paid	-	-	-	-	-	-	-	-
As at 31 December 2016	100	-	-	(120,690)	-	(120,590)	61,074	(59,516)

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 Group.

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

The Former Members' account relates to syndicate open year results which have not been assigned to the group on acquisition.

The accounting policies and notes on pages 14 to 40 form part of these Financial Statements.

Macdonald Boston Co. Limited

Company statement of changes in equity For the year ended 31 December 2016

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	100	-	-	-	-	100
Profit/(loss) for the year	-	-	-	(20,116)	-	(20,116)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	(20,116)	-	(20,116)
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2015	100	-	-	(20,116)	-	(20,016)
Profit/(loss) for the year	-	-	-	(28,221)	-	(28,221)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	(28,221)	-	(28,221)
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2016	100	-	-	(48,337)	-	(48,237)

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 14 to 40 form part of these Financial Statements.

Macdonald Boston Co. Limited

Group cash flow statement For the year ended 31 December 2016

	2016 £	2015 £
Operating activities		
Profit/(loss) on ordinary activities before tax	(33,870)	(15,704)
(Profit)/loss attributable to syndicate transactions	(21,904)	(42,480)
Profit/(loss) - excluding syndicate transactions	(55,774)	(58,184)
Adjusted for:		
(Increase)/decrease in debtors	-	100
Increase/(decrease) in creditors	22,449	181,594
(Profit)/loss on disposal of intangible assets	-	-
Amortisation of syndicate capacity	32,184	32,184
Amortisation of goodwill	6,433	6,431
Realised/unrealised (gains)/losses on investments	-	-
Investment income	(8)	(6)
Corporation and overseas taxes (paid)/refunded	(1,292)	(1,204)
Net cash inflow/(outflow) from operating activities	3,992	160,915
Investing activities		
Investment income	8	6
Purchase of syndicate capacity	(4,000)	(160,921)
Proceeds from sale of syndicate capacity	-	-
Purchase of financial investments	-	-
Proceeds from sale of financial investments	-	-
Purchase of subsidiary undertakings	-	-
Net cash (outflow)/inflow from investing activities	(3,992)	(160,915)
Financing activities		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/(redemption)	-	-
Equity dividends paid	-	-
Net cash (outflow)/inflow from financing activities	-	-
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	-	-
Cash and cash equivalents at the end of the year	-	-
Consisting of:		
Cash at bank and in hand	-	-
Cash equivalents	-	-
	-	-

The Group 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 14 to 40 form part of these Financial Statements.

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

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 Group's functional currency, being the primary economic environment in which the Group operates.

Basis of preparation

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Macdonald Boston Co. Limited and its subsidiary undertaking drawn up to 31 December each year. No profit and loss account is presented for Macdonald Boston Co. Limited as permitted by section 408 of the Companies Act 2006.

Subsidiaries are consolidated from the date of their acquisition or incorporation, being the date that the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial operating policies of the investee so as to obtain benefit from its activities.

Roderick Macdonald LLP has been included in the Group financial statements using the purchase method of account. Accordingly, the Group profit and loss account and statement of cash flows include the results and cash flows of Roderick Macdonald LLP.

In the parent company financial statements investments in the subsidiary is accounted for at cost less impairment.

Recognition of insurance transactions

Preparing financial statements in accordance with SI 2008/410 requires the Group to recognise 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 Group 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 Group's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Group'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 Group's insurance creditors.

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

The Group 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 Group.

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

Basis of preparation of financial statements (continued)

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 based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

Accounting policies

i Going concern

As at 31 December 2016 the Company had net liabilities of £59,516 (2015: £13,835). The directors consider the Company to be a going concern and have prepared the financial statements on that basis. The Company is continuing to underwrite at Lloyd's for the 2017 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 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 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 Group's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

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

v Unexpired risk provision

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

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

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 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.

vii Financial instruments

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

The Group holds both basic and non-basic financial instruments. The Group'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 Group becomes party to the contractual provisions of the financial instrument.

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

Accounting policies (continued)

vii 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 Group 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 Group 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 rate method.

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

viii 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. Derivates 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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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 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.

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.

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

Accounting policies (continued)

xi Net operating expenses

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

xii 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 in the profit and loss account.

xiii Intangible assets

Syndicate capacity - includes 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.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful life which is five years.

xiv 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).

xv Investment in subsidiary

Investments in subsidiaries, joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

xvi Taxation

The Group 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.

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

Accounting policies (continued)

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.

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 Group's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. 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 Group looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate. The critical accounting judgements and key sources of estimation uncertainty set out below therefore relate to those made by the Directors in respect of the Corporate only, and do not include estimates and judgements made in respect of the Syndicates.

Critical accounting judgements

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

Assessing indicators of impairment

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

Key sources of estimation uncertainty

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

Estimating value in use

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

Determining the useful life of purchased syndicate capacity

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

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

1. Class of Business

2016	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	20,388	20,130	(9,801)	(9,228)	(478)	623
Motor – third party liability	1,287	1,320	(820)	(441)	(10)	49
Motor – other classes	54,618	52,382	(55,817)	(16,248)	15,280	(4,403)
Marine, aviation and transport	47,631	48,408	(26,872)	(20,499)	(1,821)	(784)
Fire and other damage to property	107,493	105,596	(46,634)	(38,119)	(12,759)	8,084
Third party liability	89,368	78,946	(44,512)	(29,979)	(3,858)	597
Credit and suretyship	4,791	4,937	(2,158)	(1,531)	(389)	859
Legal expenses	453	475	(217)	(247)	-	11
Assistance	-	-	-	-	-	-
Miscellaneous	3,847	4,251	(1,881)	(1,536)	(213)	621
	329,876	316,445	(188,712)	(117,828)	(4,248)	5,657
Reinsurance	101,759	100,099	(51,064)	(27,539)	(18,945)	2,551
Total	431,635	416,544	(239,776)	(145,367)	(23,193)	8,208

2015	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	18,790	17,845	(7,577)	(8,146)	(1,193)	929
Motor – third party liability	1,174	962	(694)	(370)	131	29
Motor – other classes	49,793	48,074	(34,915)	(15,010)	(558)	(2,409)
Marine, aviation and transport	46,876	46,517	(14,379)	(19,910)	(6,110)	6,118
Fire and other damage to property	94,209	91,637	(33,040)	(34,052)	(13,920)	10,625
Third party liability	67,168	60,302	(37,960)	(23,111)	(2,495)	(3,264)
Credit and suretyship	4,931	5,061	(2,345)	(1,320)	(581)	815
Legal expenses	672	1,001	(344)	(480)	(2)	175
Assistance	-	-	-	-	-	-
Miscellaneous	4,455	4,360	(2,071)	(1,567)	(295)	427
	288,068	275,759	(133,325)	(103,966)	(25,023)	13,445
Reinsurance	86,184	84,966	(22,856)	(24,269)	(16,714)	21,127
Total	374,252	360,725	(156,181)	(128,235)	(41,737)	34,572

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.

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

2. Net Operating Expenses

	2016 £	2015 £
Acquisition costs	120,863	106,269
Change in deferred acquisition costs	(4,680)	(4,792)
Administrative expenses	24,429	20,566
Reinsurance commissions and profit participations	(11,532)	(10,170)
Personal expenses	16,287	16,362
	<u>145,367</u>	<u>128,235</u>

3. Investment Income

	2016 £	2015 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	11,072	9,817
Realised gains and losses	(2,297)	(2,979)
Unrealised gains and losses	1,649	(2,315)
Other	-	-
	<u>10,424</u>	<u>4,523</u>
Financial instruments held at amortised cost:		
Interest	8	6
Other	-	-
	<u>8</u>	<u>6</u>
Investment management expenses, including interest	(791)	(693)
	<u>(791)</u>	<u>(693)</u>
	<u>9,641</u>	<u>3,836</u>

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

	2016 £	2015 £
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Auditor's remuneration - Company	1,250	1,250
Amortisation of syndicate capacity	32,184	32,184
Amortisation of goodwill	6,433	6,431
(Profit)/loss on disposal of intangible fixed assets	-	-
(Profit)/loss on exchange	(10,103)	(1,643)

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

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

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

5. Taxation - Group	2016 £	2015 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	-
Adjustment in respect of previous period	-	-
Foreign tax	1,292	1,204
Total current tax	1,292	1,204
Deferred tax:		
Origination and reversal of timing differences	(11,266)	(2,772)
Change in tax rate	4,487	(201)
Total tax	(5,487)	(1,769)
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 20.00% (2015 - 20.00%). The differences are explained below:		
Profit/(loss) on ordinary activities before tax	(33,870)	(15,704)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.00%)	(6,774)	(3,141)
Effects of:		
Change in deferred tax rate	4,487	(201)
Deferred tax asset previously unrecognised	-	-
Foreign tax	1,034	963
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	11,336	11,038
Marginal rates of taxation and prior period adjustment	(15,570)	(10,428)
Total tax charge/(credit) for the period	(5,487)	(1,769)

The results of the Group's participation on the 2015 and 2016 years of account will not be assessed to tax until the year ended 31 December 2018 and 2019 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

The current UK corporation tax rate is 20%. The rate will be reduced to 19% from 1 April 2017 and to 17% from 1 April 2020. The effect of these reductions are reflected in the recognized deferred tax liability/(asset).

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

6. Intangible Assets

	2016			2015		
	Syndicate Capacity £	Goodwill £	Total £	Syndicate Capacity £	Goodwill £	Total £
Cost						
At 1 January	160,921	32,163	193,084	-	-	-
Additions	4,000	-	4,000	160,921	32,163	193,084
Disposals	-	-	-	-	-	-
At 31 December	164,921	32,163	197,084	160,921	32,163	193,084
Amortisation						
At 1 January	32,184	6,431	38,615	-	-	-
Additions	32,184	6,433	38,617	32,184	6,431	38,615
Disposals	-	-	-	-	-	-
At 31 December	64,368	12,864	77,232	32,184	6,431	38,615
Net Book Value						
At 31 December	100,553	19,299	119,852	128,737	25,732	154,469

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

	2016 Market Value £	2015 Market Value £
Other financial investments – Group - Syndicate participation		
Shares and other variable yield securities and units in unit trusts	74,828	6,379
Debt securities and other fixed income securities	459,051	410,924
Participation in investment pools	8,048	5,037
Loans with credit institutions	34	54
Derivative financial instruments	526	23
Other investments	1,891	-
Deposits with credit institutions	4,901	7,450
Other	7,655	51,169
	<u>556,934</u>	<u>481,036</u>
Other financial investments – Group - Corporate		
Shares and other variable yield securities and units in unit trusts	-	-
Debt securities and other fixed income securities	-	-
Other investments	-	-
	<u>-</u>	<u>-</u>

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.1 Financial Investments (continued)

	2016 Market Value £	2015 Market Value £
Other financial investments – Parent		
Shares and other variable yield securities and units in unit trusts	-	-
Debt securities and other fixed income securities	-	-
Other investments	-	-
Subsidiary undertakings	160,921	160,921
	<u>160,921</u>	<u>160,921</u>

Subsidiary undertaking

Name	Country of incorporation	Percentage share
Roderick Macdonald LLP	England & Wales	100%

7.2 Other Debtors

	2016			2015		
Group	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Other	51,160	-	51,160	35,896	-	35,896
	<u>51,160</u>	<u>-</u>	<u>51,160</u>	<u>35,896</u>	<u>-</u>	<u>35,896</u>

	2016	2015
Parent		
Amounts due from group undertakings	2,251	30
Other	4,928	2,973
	<u>7,179</u>	<u>3,003</u>

7.3 Funds at Lloyd's

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

Group	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	-	-	-	-	-
Investments	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.3 Funds at Lloyd's (continued)

	2016 £	2015 £
Parent		
Cash	-	-
Investments	-	160,921
	<u>-</u>	<u>160,921</u>

Funds at Lloyd's represents assets deposited with the Corporation of Lloyd's (Lloyd's) to support the Group's underwriting activities as described in the Accounting Policies. The entity 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 Group's liabilities in respect of its underwriting.

7.4 Other Creditors including Taxation and Social Security

	Syndicate Participation £	Corporate £	2016 Total £	Syndicate Participation £	Corporate £	2015 Total £
Group						
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	188,431	188,431	-	168,246	168,246
Third party funds	-	-	-	-	-	-
Other creditors	59,781	4,200	63,981	62,014	-	62,014
	<u>59,781</u>	<u>192,631</u>	<u>252,412</u>	<u>62,014</u>	<u>168,246</u>	<u>230,260</u>

	2016 £	2015 £
Parent		
Corporation tax	-	-
Directors' loan accounts	170,296	160,851
Other creditors	4,199	-
Amount due to group undertakings	-	-
	<u>174,495</u>	<u>160,851</u>

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments

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

Other financial investments – Group - Syndicate participation

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	556,934	-	556,934	501,608	-	501,608
Deposits with ceding undertakings	-	31	31	-	26	26
Insurance debtors	-	98,574	98,574	-	84,843	84,843
Reinsurance debtors	-	109,995	109,995	-	87,958	87,958
Other debtors	-	51,160	51,160	-	35,896	35,896
Cash at bank and in hand	-	30,800	30,800	-	23,141	23,141
Other assets	26,802	-	26,802	-	-	-
	583,736	290,560	874,296	501,608	231,864	733,472
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	396	-	396	-	-	-
Insurance creditors	-	10,360	10,360	-	9,209	9,209
Reinsurance creditors	-	57,578	57,578	-	49,516	49,516
Amounts owed to credit institutions	-	-	-	-	1,358	1,358
Other creditors	-	-	-	62,014	-	62,014
	396	67,938	68,334	62,014	60,083	122,097

Other financial investments – Group – Corporate

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
Cash at bank and in hand	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	-	-	-	-	-	-
Financial liabilities						
Other creditors	-	192,631	192,631	-	168,246	168,246
	-	192,631	192,631	-	168,246	168,246

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments (continued)

Other financial investments – Parent

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	-	160,921	160,921	-	160,921	160,921
Other debtors	-	7,179	7,179	-	3,003	3,003
Cash at bank and in hand	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	-	168,100	168,100	-	163,924	163,924
Financial liabilities						
Other creditors	-	174,495	174,495	-	160,851	160,851
	-	174,495	174,495	-	160,851	160,851

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

	2016		2015	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	20,385	422	(11,726)	3
Interest rate future contracts	19,263	101	(12,332)	17
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	94	2
Other	-	3	-	-
	39,648	526	(23,964)	22

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.

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

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 Group's financial instruments held at fair value through profit or loss by level of hierarchy.

Other financial investments – Group -Syndicate participation

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	17,454	57,334	40	74,828	-	74,828
Debt securities and other fixed income securities	158,581	300,470	-	459,051	-	459,051
Participation in investment pools	1,664	2,291	4,093	8,048	-	8,048
Loans and deposits with credit institutions	4,893	1,786	147	6,826	-	6,826
Overseas deposits	18,686	13,968	1,394	34,048	-	34,048
Derivatives	523	3	-	526	-	526
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	201,801	375,852	5,674	583,327	-	583,327
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	392	4	-	396	-	396
Financial liabilities classified as held for sale	-	-	-	-	-	-
	392	4	-	396	-	396

Macdonald Boston Co. Limited

**Notes to the Financial Statements
For the year ended 31 December 2016**

7. Financial Instruments and Financial Risk Management (continued)

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

Other financial investments – Group - Syndicate participation (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	5,874	43,384	8,289	57,547	-	57,547
Debt securities and other fixed income securities	203,413	172,237	35,274	410,924	-	410,924
Participation in investment pools	16	1,193	3,827	5,036	-	5,036
Loans and deposits with credit institutions	20,915	3,960	3,203	28,078	-	28,078
Overseas deposits	20,979	5,248	1,297	27,524	-	27,524
Derivatives	23	-	-	23	-	23
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	251,220	226,022	51,890	529,132	-	529,132
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	47	-	-	47	-	47
Financial liabilities classified as held for sale	-	-	-	-	-	-
	47	-	-	47	-	47

Other financial investments – Group – Corporate

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	-	-	-	-	-	-

Macdonald Boston Co. Limited

Notes to the Financial Statements **For the year ended 31 December 2016**

7. Financial Instruments and Financial Risk Management (continued)

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

Other financial investments – Group - Corporate (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	-	-	-	-	-	-

Other financial investments – Parent

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	160,921	160,921
	-	-	-	-	160,921	160,921

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	160,921	160,921
	-	-	-	-	160,921	160,921

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management

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

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

Credit risk

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

The Group 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 Group 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 Group's financial assets represents the Group'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 £
2016						
Shares and other variable yield securities and units in unit trusts	8,517	6,274	24,671	6,810	28,556	74,828
Debt securities and other fixed income securities	87,405	122,788	144,713	97,566	6,579	459,051
Participation in investment pools	2,038	2,246	-	-	3,764	8,048
Loans secured with credit institutions	-	1,778	-	-	147	1,925
Deposits with credit institutions	-	339	1,209	-	3,353	4,901
Overseas deposits	14,506	5,603	3,638	2,663	7,638	34,048
Derivative investments	-	103	384	36	3	526
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	31	31
Reinsurers share of claims outstanding	2,200	37,970	87,859	2,437	4,033	134,499
Reinsurance debtors	993	2,582	2,599	387	70	6,631
Cash at bank and in hand	11	4,405	20,793	5,576	15	30,800
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	115,670	184,088	285,866	115,475	54,189	755,288

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Group – Syndicate participation

	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2015						
Shares and other variable yield securities and units in unit trusts	5,502	4,704	20,975	3,166	23,201	57,548
Debt securities and other fixed income securities	80,927	126,639	122,599	77,474	3,285	410,924
Participation in investment pools	277	-	16	-	4,743	5,036
Loans secured with credit institutions	-	41	13	-	-	54
Deposits with credit institutions	-	53	507	-	-	560
Overseas deposits	17,034	5,041	3,981	1,372	36	27,464
Derivative investments	14	-	2	7	-	23
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	26	26
Reinsurers share of claims outstanding	2,435	30,743	46,899	936	1,976	82,989
Reinsurance debtors	466	48,268	14,030	170	36	62,970
Cash at bank and in hand	12,914	430	7,082	2,714	-	23,140
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	119,569	215,919	216,104	85,839	33,303	670,734

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

	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2016						
Shares and other variable yield securities and units in unit trusts	74,828	-	-	-	-	74,828
Debt securities and other fixed income securities	459,051	-	-	-	-	459,051
Participation in investment pools	8,048	-	-	-	-	8,048
Loans secured with credit institutions	1,925	-	-	-	-	1,925
Deposits with credit institutions	4,901	-	-	-	-	4,901
Overseas deposits	34,048	-	-	-	-	34,048
Derivative investments	526	-	-	-	-	526
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	31	-	-	-	-	31
Reinsurers share of claims outstanding	134,499	-	-	-	-	134,499
Reinsurance debtors	5,426	954	111	31	109	6,631
Cash at bank and in hand	30,800	-	-	-	-	30,800
Insurance debtors	88,701	6,742	997	2,312	(178)	98,574
Other debtors	233,101	332	34	90	-	233,557
	1,075,885	8,028	1,142	2,433	(69)	1,087,419

Macdonald Boston Co. Limited

**Notes to the Financial Statements
For the year ended 31 December 2016**

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Group - 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 £
2015						
Shares and other variable yield securities and units in unit trusts	57,548	-	-	-	-	57,548
Debt securities and other fixed income securities	410,924	-	-	-	-	410,924
Participation in investment pools	5,037	-	-	-	-	5,037
Loans secured with credit institutions	54	-	-	-	-	54
Deposits with credit institutions	559	-	-	-	-	559
Overseas deposits	27,463	-	-	-	-	27,463
Derivative investments	23	-	-	-	-	23
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	26	-	-	-	-	26
Reinsurers share of claims outstanding	82,988	268	-	-	(128)	83,128
Reinsurance debtors	62,970	825	543	30	102	64,470
Cash at bank and in hand	23,141	-	-	-	-	23,141
Insurance debtors	93,378	5,100	931	1,084	(93)	100,400
Other debtors	17,721	-	-	71	-	17,792
	781,832	6,193	1,474	1,185	(119)	790,565

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

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

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 Group 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 Group'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 Group can be required to pay.

Group - Syndicate participation

	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2016						
Derivative financial instruments	-	396	-	-	-	396
Deposits received from reinsurers	-	69	-	-	-	69
Provision for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	214,552	255,561	105,164	124,541	699,818
Creditors	15,541	59,524	16,724	2,273	422	94,484
Other	-	-	-	-	-	-
	15,541	274,541	272,285	107,437	124,963	794,767
2015						
Derivative financial instruments	-	18	29	-	-	47
Deposits received from reinsurers	-	52	-	-	-	52
Provision for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	170,437	185,380	89,791	96,876	542,484
Creditors	11,810	51,932	13,677	537	-	77,956
Other	468	-	-	-	-	468
	12,278	222,439	199,086	90,328	96,876	621,007

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

Interest rate risk

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

The Group 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 Group 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 Group.

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Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Interest rate risk (continued)

Group - Syndicate participation

	2016 £	2015 £
Impact of 50 basis point increase on profit or loss	(4,668)	(3,355)
Impact of 50 basis point decrease on profit or loss	4,690	3,162
Impact of 50 basis point increase on equity	(4,668)	(3,355)
Impact of 50 basis point decrease on equity	4,690	3,162

At the Corporate level the Group 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 Group is exposed to equity price risk in respect of its equity investments.

At the Corporate level the Group 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 Group.

Group - Syndicate participation

	2016 £	2015 £
Impact on profit or loss of 5% increase in Stock Market Prices	901	652
Impact on profit or loss of 5% decrease in Stock Market Prices	(899)	(657)
Impact on equity of 5% increase in Stock Market Prices	901	652
Impact on equity of 5% decrease in Stock Market Prices	(899)	(657)

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

Currency risk

The Group 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 Group 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 Group's principal foreign exchange exposures in aggregate.

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Currency risk (continued)

Net assets and liabilities – Group

	2016		2015	
	Syndicate Participation £	Corporate £	Syndicate Participation £	Corporate £
Sterling	(66,098)	(226,454)	(33,255)	(210,784)
United States Dollar	59,882	-	70,557	-
Euro	22,078	-	4,069	-
Canadian Dollar	20,162	-	10,536	-
Australian Dollar	2,990	-	966	-
Japanese Yen	(584)	-	(448)	-
Other	2,648	-	196	-

Net assets and liabilities – Parent

	2016 £	2015 £
Sterling	(48,237)	(20,016)
United States Dollar	-	-
Euro	-	-
Canadian Dollar	-	-
Australian Dollar	-	-
Japanese Yen	-	-
Other	-	-

The Group 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 Group'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.

	Group - Corporate Profit and loss			
	31 December 2016		31 December 2015	
Effect of sterling exchange movement by 10%	Increase £	Decrease £	Increase £	Decrease £
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Currency risk (continued)

	Parent - Profit and loss			
	31 December 2016		31 December 2015	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of sterling exchange movement by 10%				
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

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.

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

8. Insurance Contracts

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

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	542,483	83,128	459,355	-	-	-
Movements in the year	48,083	26,757	21,326	516,686	81,118	435,568
Exchange differences	109,252	24,614	84,638	25,797	2,010	23,787
At 31 December	699,818	134,499	565,319	542,483	83,128	459,355

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

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	178,365	22,061	156,304	-	-	-
Movements in the year	15,091	3,915	11,176	174,620	14,946	159,674
Exchange differences	24,766	3,340	21,426	3,745	7,115	(3,370)
At 31 December	218,222	29,316	188,906	178,365	22,061	156,304

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

	2016 £	2015 £
At 1 January	45,986	-
Movements in the year	4,680	4,792
Exchange differences	6,853	41,194
At 31 December	57,519	45,986

8.1 Risks arising from Insurance Contracts

The Group 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.

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Notes to the Financial Statements For the year ended 31 December 2016

9. Called-up Share Capital

Issued and fully paid

	At 1 January	Issued during the year	Redeemed during the year	At 31 December
Par value per share				
Ordinary £1 shares	100	-	-	100
Total	100	-	-	100

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

10. Profit and Loss Account

Group

	Syndicate Participation £	Corporate £	2016 Total £	Syndicate Participation £	Corporate £	2015 Total £
Retained profit/(loss) brought forward	42,480	(56,415)	(13,935)	-	-	-
Reallocate distribution	(30,156)	30,156	-	-	-	-
Profit/(loss) for the financial year	34,762	(59,664)	(24,902)	42,480	(56,415)	(13,935)
Distribution to minority interest	-	(20,779)	(20,779)	-	-	-
Equity dividend	-	-	-	-	-	-
Retained profit/(loss) carried forward	47,086	(106,702)	(59,616)	42,480	(56,415)	(13,935)

Parent

	2016 £	2015 £
Retained profit/(loss) brought forward	(20,116)	-
Profit/(loss) for the financial year	(28,221)	(20,116)
Retained profit/(loss) carried forward	(48,337)	(20,116)

Macdonald Boston Co. Limited

Notes to the Financial Statements For the year ended 31 December 2016

11. Deferred Tax

Group					2016
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	(2,217)	(756)	-	32,163	29,190
Movement in the year	(1,166)	(788)	-	(4,825)	(6,779)
At 31 December	(3,383)	(1,544)	-	27,338	22,411

Group					2015
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	-	-	-	-	-
Movement in the year	(2,217)	(756)	-	32,163	29,190
At 31 December	(2,217)	(756)	-	32,163	29,190

The unused tax losses carried forward at the Balance Sheet date are £8,520. Unused tax losses are expected to be recoverable against the future profits of the Group 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 Directors made loans to and from the Group. At the Balance Sheet date the amount due (to)/from the Group was £188,431 (2015: £168,246).

At the balance sheet date the amount due to/(from) the company to Roderick Macdonald Syndicates's LLP was £2,251 (2015: £30).

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 L Macdonald who holds 100% of the issued £100 ordinary share capital.