

Company registration number: 9123773

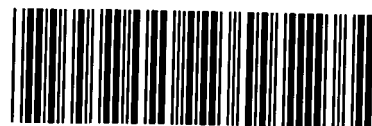
Macdonald Boston Co. Limited

**Report and financial statements
31 December 2017**

Contents:

Company information	1
Strategic report	2
Report of the directors	3
Independent auditor's report	5
Group profit and loss account - technical account	7
Group profit and loss account - non-technical account	8
Group balance sheet	9
Company balance sheet	11
Group statement of changes in equity	12
Company statement of changes in equity	13
Group cash flow statement	14
Notes to the financial statements	15

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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 2017.

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, 2016 and 2017 years of account. The 2015 year closed at 31 December 2017 with a result of £39,023. The 2016 and 2017 open underwriting accounts will normally close at 31 December 2018 and 2019 respectively.

Results and Dividends

The results for the year are set out on pages 7 to 8 of the financial statements. Dividends totalling £Nil were paid in the period (2016 - £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

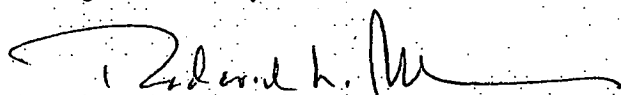
	2017	2016
Capacity (youngest underwriting year)	£ 489,221	£ 447,774
Gross premium written as a % of capacity	97.5%	96.4%
Underwriting profit of latest closed year:		
as a % of capacity	9.0%	0.0%
Run-off years of account movement	£ -	£ -
Combined ratio	112.7%	97.6%

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

Brexit

The Brexit talks have now entered the second phase focusing on trade. At present the insurance sector still needs certainty on the UK's future trading relationship with EU. The priority is to ensure mutual insurance and reinsurance market access once the UK leaves the EU. In the meantime Lloyd's continue to move ahead with their plans to establish a Lloyd's subsidiary in Brussels, which will provide certainty for the market and Lloyd's clients. The Directors are monitoring the Lloyd's market's preparations along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Group.

Approved by the Board on 27 August 2018
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 2017.

Principal Activities

The principal activity of the Group is that of trading as a Lloyd's corporate capital member. The Group continues to underwrite for the 2018 year of account through its wholly owned subsidiary.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Accounting Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 to enable themselves 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
APCL Corporate Director No. 1 Limited
APCL Corporate Director No. 2 Limited

Macdonald Boston Co. Limited
Report of the Directors (continued)

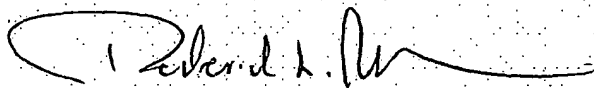
Auditors

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 27 August 2018
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

Opinion

We have audited the financial statements of Macdonald Boston Co. Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the Group Profit and loss account, Group Balance sheet, Company Balance sheet, Group Statement of changes in equity, Company Statement of changes in equity, Group 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 Group and Parent 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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent 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 Directors 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group'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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

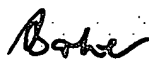
Auditor's responsibilities for the audit of the financial statements

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.

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.



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

29 August 2018

Macdonald Boston Co. Limited
Group profit and loss account
Technical account – general business
For the year ended 31 December 2017

	Note	2017 £	2016 £
Premiums			
Gross premiums written	1	477,024	431,635
Outward reinsurance premiums	1	(102,568)	(74,843)
Net premiums written		<u>374,456</u>	<u>356,792</u>
Change in the provision for unearned premiums			
Gross provision	1	(729)	(15,091)
Reinsurers' share	1	4,738	3,915
Earned premiums, net of reinsurance		<u>378,465</u>	<u>345,616</u>
Allocated investment return transferred from the non-technical account		10,645	9,633
Other technical income, net of reinsurance			-
Claims paid			
Gross amount	1	(227,987)	(186,249)
Reinsurers' share	1	29,995	20,978
Net claims paid		<u>(197,992)</u>	<u>(165,271)</u>
Change in provision for claims			
Gross amount	1	(152,584)	(53,527)
Reinsurers' share	1	79,789	26,757
Change in net provision for claims		<u>(72,795)</u>	<u>(26,770)</u>
Claims incurred, net of reinsurance		<u>(270,787)</u>	<u>(192,041)</u>
Changes in other technical provisions, net of reinsurance		1,473	(1,316)
Net operating expenses	1,2	(155,614)	(145,367)
Other technical charges, net of reinsurance			
Balance on the technical account for general business		<u>(35,818)</u>	<u>16,525</u>

The accounting policies and notes on pages 15 to 43 form part of these Financial Statements.

Macdonald Boston Co. Limited
Group profit and loss account
Non - technical account
For the year ended 31 December 2017

	Note	2017 £	2016 £
Balance on technical account for general business		(35,818)	16,525
Investment income	3	10,662	9,641
Allocated investment return transferred to the general business technical account		(10,645)	(9,633)
Other income		1,058	9,312
Other charges, including value adjustments		(62,273)	(59,715)
Profit/(loss) on ordinary activities before taxation	4	<u>(97,016)</u>	<u>(33,870)</u>
Tax on profit/(loss) on ordinary activities	5	5,361	6,158
Profit/(loss) for the financial year		<u>(91,655)</u>	<u>(27,712)</u>
Other comprehensive income/(expenditure):			
Currency translation differences		32	3,481
Tax on other comprehensive income/(expenditure)	5	14	(671)
Total comprehensive income/(expenditure)	10	<u>(91,609)</u>	<u>(24,902)</u>
 Total comprehensive income for the year attributable to:			
Owners of the parent company		(91,609)	(61,987)
Non-controlling interest		-	37,085
		<u>(91,609)</u>	<u>(24,902)</u>

All amounts relate to continuing operations.

The accounting policies and notes on pages 15 to 43 form part of these Financial Statements.

Macdonald Boston Co. Limited
Group balance sheet
As at 31 December 2017

		31 December 2017			31 December 2016		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	6	-	84,446	84,446	-	119,852	119,852
Investments							
Other financial investments	7	499,846	-	499,846	556,934	-	556,934
Deposits with ceding undertakings		29	-	29	31	-	31
		499,875	-	499,875	556,965	-	556,965
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	31,396	-	31,396	29,316	-	29,316
Claims outstanding	8	207,818	-	207,818	134,499	-	134,499
Other technical provisions		2,472	-	2,472	998	-	998
		241,686	-	241,686	164,813	-	164,813
Debtors							
Amounts falling due within one year	7	178,711	-	178,711	203,374	-	203,374
Amounts falling due after one year	7	47,187	-	47,187	56,355	-	56,355
		225,898	-	225,898	259,729	-	259,729
Other assets							
Cash at bank and in hand		29,907	-	29,907	30,800	-	30,800
Other		29,188	-	29,188	26,802	-	26,802
		59,095	-	59,095	57,602	-	57,602
Prepayments and accrued income							
Accrued interest		1,468	-	1,468	1,590	-	1,590
Deferred acquisitions costs	8	58,771	-	58,771	57,519	-	57,519
Other prepayments and accrued income		3,095	-	3,095	2,909	-	2,909
		63,334	-	63,334	62,018	-	62,018
Total assets		1,089,888	84,446	1,174,334	1,101,127	119,852	1,220,979

The accounting policies and notes on pages 15 to 43 form part of these Financial Statements.

Macdonald Boston Co. Limited
Group balance sheet
As at 31 December 2017

		31 December 2017			31 December 2016		
	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		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	-	-	-	-	-
Profit and loss account	10	(46,600)	(165,697)	(212,297)	47,086	(106,702)	(59,616)
Shareholders' funds – attributable to equity interests		(46,600)	(165,597)	(212,197)	47,086	(106,602)	(59,516)
Equity attributable to owners of the parent company				(212,299)			(120,690)
Non-controlling interests				-			61,074
				(212,199)			(59,516)
Technical provisions							
Provision for unearned premiums	8	205,036	-	205,036	218,222	-	218,222
Claims outstanding	8	792,163	-	792,163	699,818	-	699,818
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	11	-	16,231	16,231	-	22,411	22,411
Other		-	-	-	-	-	-
Deposit received from reinsurers		62	-	62	69	-	69
Creditors							
Amounts falling due within one year	7	111,018	221,003	332,021	105,617	192,631	298,248
Amounts falling due after one year	7	17,767	2,400	20,167	22,102	-	22,102
		1,126,046	239,634	1,365,680	1,045,828	215,042	1,260,870
Accruals and deferred income		10,442	10,409	20,851	8,213	11,412	19,625
Total liabilities		1,089,888	84,446	1,174,334	1,101,127	119,852	1,220,979

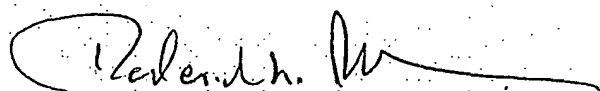
The accounting policies and notes on pages 15 to 43 form part of these Financial Statements.

Macdonald Boston Co. Limited
Company balance sheet
As at 31 December 2017

	Notes	2017 £	2016 £
Fixed assets			
Investments	7	160,921	160,921
		<u>160,921</u>	<u>160,921</u>
Current assets			
Other debtors	7	11,106	7,179
Prepayments and accrued income		-	-
Cash at bank and in hand		-	-
		<u>11,106</u>	<u>7,179</u>
Provision for deferred taxation		-	-
Current liabilities			
Creditors	7	(196,282)	(174,495)
Accruals and deferred income		(76,996)	(41,842)
		<u>(273,278)</u>	<u>(216,337)</u>
Net assets		<u>(101,251)</u>	<u>(48,237)</u>
Capital and reserves			
Called up share capital	9	100	100
Profit and loss reserve	10	(101,351)	(48,337)
Total shareholders' funds		<u>(101,251)</u>	<u>(48,237)</u>

Approved and authorised for issue by the Board on 27 Aug 2018

and signed on its behalf by:



R L MACDONALD
 Director

Company registration number: 9123773

The accounting policies and notes on pages 15 to 43 form part of these Financial Statements.

Macdonald Boston Co. Limited

Group statement of changes in equity For the year ended 31 December 2017

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total Equity £
Opening balance	100	-	-	(13,935)	-	(13,835)
Profit/(loss) for the year	-	-	-	(27,712)	-	(27,712)
Other comprehensive income	-	-	-	2,810	-	2,810
Total comprehensive income	-	-	-	(24,902)	-	(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	-	-	(59,616)	-	(59,516)
Profit/(loss) for the year	-	-	-	(91,655)	-	(91,655)
Other comprehensive income	-	-	-	46	-	46
Total comprehensive income	-	-	-	(91,609)	-	(91,609)
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Distribution to minority interest	-	-	-	(61,074)	-	(61,074)
Dividends paid	-	-	-	-	-	-
As at 31 December 2017	100	-	-	(212,299)	-	(212,199)

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 accounting policies and notes on pages 15 to 43 form part of these Financial Statements.

Macdonald Boston Co. Limited

**Company statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	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)
Profit/(loss) for the year	-	-	-	(53,014)	-	(53,014)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	(53,014)	-	(53,014)
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2017	100	-	-	(101,351)	-	(101,251)

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 15 to 43 form part of these Financial Statements.

Macdonald Boston Co. Limited
Group cash flow statement
For the year ended 31 December 2017

	2017 £	2016 £
Operating activities		
Profit/(loss) on ordinary activities before tax	(97,016)	(33,870)
(Profit)/loss attributable to syndicate transactions	32,646	(21,904)
Profit/(loss) - excluding syndicate transactions	<u>(64,370)</u>	<u>(55,774)</u>
Adjusted for:		
(Increase)/decrease in debtors	-	-
Increase/(decrease) in creditors	29,769	22,449
(Profit)/loss on disposal of intangible assets	6	-
Amortisation of syndicate capacity	32,983	32,184
Amortisation of goodwill	6,433	6,433
Realised/unrealised (gains)/losses on investments	-	-
Investment income	(17)	(8)
Corporation and overseas taxes (paid)/refunded	<u>(806)</u>	<u>(1,292)</u>
Net cash inflow/(outflow) from operating activities	<u>3,998</u>	<u>3,992</u>
Investing activities		
Investment income	17	8
Purchase of syndicate capacity	(4,015)	(4,000)
Proceeds from sale of syndicate capacity	-	-
Purchase of financial investments	-	-
Proceeds from sale of financial investments	<u>-</u>	<u>-</u>
Net cash (outflow)/inflow from investing activities	<u>(3,998)</u>	<u>(3,992)</u>
Financing activities		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	<u>-</u>	<u>-</u>
Net cash (outflow)/inflow from financing activities	<u>-</u>	<u>-</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>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>
Consisting of:		
Cash at bank and in hand	-	-
Cash equivalents	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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 15 to 43 form part of these Financial Statements.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year 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 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(s) 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

The Group 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 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 2017

Sources of data

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

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

Accounting policies

i Going concern

As at 31 December 2017 the Company had net liabilities of £212,197 (2016: £59,516). 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 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 Group 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 2017

Accounting policies (continued)

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.

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

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

viii 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.

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.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

Accounting policies (continued)

viii Financial instruments (continued)

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 method.

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

ix Derivative financial instruments

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

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 Group 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 Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group'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 Group could be required to repay. In that case, the Group 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.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

Accounting policies (continued)

xii 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.

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

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.

xv Insurance contracts – product classification

Insurance contracts are those contracts when the Group (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 Group 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 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.

xvii 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 2017

Accounting policies (continued)

xviii Deferred taxation

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

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.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

Accounting policies (continued)

xviii Critical accounting judgements and key sources of estimated uncertainty (continued)

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 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	21,712	21,579	(11,679)	(9,399)	(871)	(370)
Motor – third party liability	1,096	1,238	(907)	(407)	28	(48)
Motor – other classes	53,392	57,050	(45,046)	(15,626)	(354)	(3,976)
Marine, aviation and transport	43,013	47,588	(26,876)	(19,286)	(1,269)	157
Fire and other damage to property	119,143	115,877	(93,205)	(40,190)	3,360	(14,158)
Third party liability	103,364	96,523	(57,191)	(36,140)	(4,514)	(1,322)
Credit and suretyship	9,467	9,341	(5,997)	(3,722)	43	(335)
Legal expenses	410	420	(206)	(215)	1	-
Assistance	-	-	-	-	-	-
Miscellaneous	4,126	3,861	(2,445)	(1,452)	(216)	(252)
	355,723	353,477	(243,552)	(126,437)	(3,792)	(20,304)
Reinsurance	121,301	122,818	(137,019)	(29,177)	15,746	(27,632)
Total	477,024	476,295	(380,571)	(155,614)	11,954	(47,936)

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

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 2017

2. Net Operating Expenses

	2017 £	2016 £
Acquisition costs	130,064	120,863
Change in deferred acquisition costs	(2,096)	(4,680)
Administrative expenses	27,505	24,429
Reinsurance commissions and profit participations	(13,804)	(11,532)
Personal expenses	13,945	16,287
	<u>155,614</u>	<u>145,367</u>

3. Investment Income

	2017 £	2016 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	11,486	11,072
Realised gains and losses	(476)	(2,297)
Unrealised gains and losses	571	1,649
Other	-	-
	<u>11,581</u>	<u>10,424</u>
Financial instruments held at amortised cost:		
Interest	17	8
Other	-	-
	<u>17</u>	<u>8</u>
Investment management expenses, including interest	(936)	(791)
	<u>(936)</u>	<u>(791)</u>
	<u>10,662</u>	<u>9,641</u>

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

	2017 £	2016 £
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Auditors' remuneration - Company	1,250	1,250
Amortisation of syndicate capacity	32,983	32,184
Amortisation of goodwill	6,433	6,433
(Profit)/loss on disposal of intangible fixed assets	6	-
(Profit)/loss on exchange	851	(10,103)

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 2017

5. Taxation – Group	2017 £	2016 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	-
Adjustment in respect of previous period	-	-
Foreign tax	804	1,292
Total current tax	804	1,292
Deferred tax:		
Origination and reversal of timing differences	(8,625)	(11,266)
Change in tax rate	2,446	4,487
Total tax	(5,375)	(5,487)
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% (2016 - 20.00%): The differences are explained below:		
Profit/(loss) on ordinary activities before tax	(97,016)	(33,870)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	(18,676)	(6,774)
Effects of:		
Change in deferred tax rate	2,446	4,487
Deferred tax asset previously unrecognised	-	-
Foreign tax	649	1,034
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	10,472	11,336
Marginal rates of taxation and prior period adjustment	(266)	(15,570)
Total tax charge/(credit) for the period	(5,375)	(5,487)

The results of the Group's participation on the 2015, 2016 and 2017 years of account will not be assessed to tax until the year ended 31 December 2018, 2019 and 2020 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 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).

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

6. Intangible Assets

	2017			2016		
	Syndicate Capacity £	Goodwill £	Total £	Syndicate Capacity £	Goodwill £	Total £
Cost						
At 1 January	164,921	32,163	197,084	160,921	32,163	193,084
Additions	4,015	-	4,015	4,000	-	4,000
Disposals	(9)	-	(9)	-	-	-
At 31 December	168,927	32,163	201,090	164,921	32,163	197,084
Amortisation						
At 1 January	64,368	12,864	77,232	32,184	6,431	38,615
Additions	32,983	6,433	39,416	32,184	6,433	38,617
Disposals	(4)	-	(4)	-	-	-
At 31 December	97,347	19,297	116,644	64,368	12,864	77,232
Net Book Value						
At 31 December	71,580	12,866	84,446	100,553	19,299	119,852

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Group – Syndicate participation

	2017 Market Value £	2016 Market Value £
Shares and other variable yield securities and units in unit trusts	78,350	74,828
Debt securities and other fixed income securities	397,565	459,051
Participation in investment pools	13,226	8,048
Loans with credit institutions	19	34
Derivative financial instruments	255	526
Other investments	381	1,891
Deposits with credit institutions	2,592	4,901
Other	7,458	7,655
	<u>499,846</u>	<u>556,934</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 2017

7. Financial Instruments and Financial Risk Management (continued)

7.1 Financial Investments (continued)

Other financial investments – Parent

	2017 Cost £	2016 Cost £
Shares and other variable yield securities and units in unit trusts	-	-
Debt securities and other fixed income securities	-	-
Other investments	-	-
Investment in subsidiary	160,921	160,921
	<u>160,921</u>	<u>160,921</u>

Subsidiary undertaking

<i>Name</i>	<i>Country of incorporation</i>	<i>Percentage share</i>
Roderick Macdonald LLP	England & Wales	100%

7.2 Debtors

Group	Syndicate Participation £	Corporate £	2017 Total £	Syndicate Participation £	Corporate £	2016 Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	89,413	-	89,413	95,712	-	95,712
Arising out of reinsurance operations	68,372	-	68,372	61,050	-	61,050
Other debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	20,926	-	20,926	46,612	-	46,612
Total amounts falling due within one year	<u>178,711</u>	<u>-</u>	<u>178,711</u>	<u>203,374</u>	<u>-</u>	<u>203,374</u>
Amounts falling due after one year:						
Arising out of direct insurance operations	1,699	-	1,699	2,862	-	2,862
Arising out of reinsurance operations	40,818	-	40,818	48,945	-	48,945
Other debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	4,670	-	4,670	4,548	-	4,548
Total amounts falling due after one year	<u>47,187</u>	<u>-</u>	<u>47,187</u>	<u>56,355</u>	<u>-</u>	<u>56,355</u>
	<u>225,898</u>	<u>-</u>	<u>225,898</u>	<u>259,729</u>	<u>-</u>	<u>259,729</u>

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors (continued)

Parent	2017 £	2016 £
Amounts due from group undertakings	-	2,251
Other	11,106	4,928
	<u>11,106</u>	<u>7,179</u>

7.3 Funds at Lloyd's

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

Group	2017			2016		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	-	-	-	-	-
Investments	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Parent	2017 £	2016 £
Cash	-	-
Investments	-	-
	<u>-</u>	<u>-</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 Group 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.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.4 Creditors

Group			2017			2016
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	17,118	-	17,118	10,180	-	10,180
Arising out of reinsurance operations	45,197	-	45,197	39,897	-	39,897
Amounts owed to credit institutions	1,479	-	1,479	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	215,882	215,882	-	188,431	188,431
Third party funds	-	-	-	-	-	-
Other creditors	47,224	5,121	52,345	55,540	4,200	59,740
Amount due to group undertakings	-	-	-	-	-	-
Total amounts falling due within one year	111,018	221,003	332,021	105,617	192,631	298,248
Amounts falling due after one year:						
Arising out of direct insurance operations	95	-	95	180	-	180
Arising out of reinsurance operations	15,854	-	15,854	17,681	-	17,681
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	1,818	2,400	4,218	4,241	-	4,241
Amount due to group undertakings	-	-	-	-	-	-
Total amounts falling due after one year	17,767	2,400	20,167	22,102	-	22,102
	128,785	223,403	352,188	127,719	192,631	320,350

Parent	2017 £	2016 £
Corporation tax	-	-
Directors' loan accounts	181,258	170,296
Other creditors	4,319	4,199
Amount due to group undertakings	10,705	-
	196,282	174,495

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

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

	2017			2016		
	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	499,846	-	499,846	556,934	-	556,934
Deposits with ceding undertakings	-	29	29	-	31	31
Insurance debtors	-	91,112	91,112	-	98,574	98,574
Reinsurance debtors	-	109,190	109,190	-	109,995	109,995
Other debtors	-	25,596	25,596	-	51,160	51,160
Cash at bank and in hand	-	29,907	29,907	-	30,800	30,800
Other assets	29,188	-	29,188	26,802	-	26,802
	529,034	255,834	784,868	583,736	290,560	874,296
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	69	-	69	396	-	396
Insurance creditors	-	17,213	17,213	-	10,360	10,360
Reinsurance creditors	-	61,051	61,051	-	57,578	57,578
Amounts owed to credit institutions	-	1,479	1,479	-	-	-
Other creditors	-	-	-	-	-	-
	69	79,743	79,812	396	67,938	68,334

Other financial investments – Group - Corporate

	2017			2016		
	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	-	223,403	223,403	-	192,631	192,631
	-	223,403	223,403	-	192,631	192,631

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments (continued)

Other financial investments – Parent

	2017			2016		
	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	-	11,106	11,106	-	7,179	7,179
Cash at bank and in hand	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	-	172,027	172,027	-	168,100	168,100
Financial liabilities						
Other creditors	-	196,282	196,282	-	174,495	174,495
	-	196,282	196,282	-	174,495	174,495

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

	2017		2016	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	6,018	208	20,385	422
Interest rate future contracts	2,773	8	19,263	101
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	-	-
Other	-	39	-	3
	8,791	255	39,648	526

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

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.

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 £
2017						
Financial assets						
Shares and other variable yield securities and units in unit trusts	18,117	58,403	1,830	78,350	-	78,350
Debt securities and other fixed income securities	151,708	245,857	-	397,565	-	397,565
Participation in investment pools	7,971	2,031	3,224	13,226	-	13,226
Loans and deposits with credit institutions	2,585	26	381	2,992	-	2,992
Overseas deposits	17,039	17,979	1,194	36,212	-	36,212
Derivatives	247	8	-	255	-	255
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	197,667	324,304	6,629	528,600	-	528,600
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	68	1	-	69	-	69
Financial liabilities classified as held for sale	-	-	-	-	-	-
	68	1	-	69	-	69

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year 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 – Group - Syndicate participation (continued)

	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

Other financial investments – Group - 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	-	-	-	-	-	-
	-	-	-	-	-	-

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year 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 – Group - Corporate (continued)

	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	-	-	-	-	-	-
	-	-	-	-	-	-

Other financial investments – Parent

	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	-	-	-	-	160,921	160,921
	-	-	-	-	160,921	160,921

	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

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

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.

i 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 £
2017						
Shares and other variable yield securities and units in unit trusts	6,167	7,045	26,060	7,457	31,621	78,350
Debt securities and other fixed income securities	69,332	98,172	133,462	89,575	7,024	397,565
Participation in investment pools	8,321	1,562	424	-	2,919	13,226
Loans secured with credit institutions	-	19	-	-	381	400
Deposits with credit institutions	-	-	1,922	-	670	2,592
Overseas deposits	14,957	5,726	3,969	3,593	7,967	36,212
Derivative investments	-	32	192	31	-	255
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	29	29
Reinsurers share of claims outstanding	786	48,001	146,540	1,837	10,654	207,818
Reinsurance debtors	-	1,355	3,537	106	1,934	6,932
Cash at bank and in hand	3,343	2,994	18,623	4,597	350	29,907
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	102,906	164,906	334,729	107,196	63,549	773,286

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

i Credit risk (continued)

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

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	78,350	-	-	-	-	78,350
Debt securities and other fixed income securities	397,565	-	-	-	-	397,565
Participation in investment pools	13,226	-	-	-	-	13,226
Loans secured with credit institutions	400	-	-	-	-	400
Deposits with credit institutions	2,592	-	-	-	-	2,592
Overseas deposits	36,212	-	-	-	-	36,212
Derivative investments	255	-	-	-	-	255
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	29	-	-	-	-	29
Reinsurers share of claims outstanding	207,943	-	-	-	(125)	207,818
Reinsurance debtors	5,548	1,146	169	76	(7)	6,932
Cash at bank and in hand	29,907	-	-	-	-	29,907
Insurance debtors	82,483	5,806	890	2,062	(129)	91,112
Other debtors	209,907	265	16	-	-	210,188
	1,064,417	7,217	1,075	2,138	(261)	1,074,586

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

i Credit risk (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
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

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.

ii 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.

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	-	69	-	-	-	69
Deposits received from reinsurers	-	62	-	-	-	62
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	1,337	275,830	278,207	119,306	117,483	792,163
Creditors	1,642	100,858	13,462	4,360	2	120,324
Other	-	-	-	-	-	-
	2,979	376,819	291,669	123,666	117,485	912,618

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

ii Liquidity risk (continued)

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
Provisions 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

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

iii 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.

Syndicate participation	2017 £	2016 £
Impact of 50 basis point increase on profit or loss	(4,007)	(4,668)
Impact of 50 basis point decrease on profit or loss	4,043	4,690
Impact of 50 basis point increase on equity	(4,007)	(4,668)
Impact of 50 basis point decrease on equity	4,043	4,690

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.

iv 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.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

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

iv Equity price risk (continued)

Syndicate participation

	2017 £	2016 £
Impact on profit or loss of 5% increase in Stock Market Prices	703	901
Impact on profit or loss of 5% decrease in Stock Market Prices	(705)	(899)
Impact on equity of 5% increase in Stock Market Prices	703	901
Impact on equity of 5% decrease in Stock Market Prices	(705)	(899)

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.

v 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.

Net assets and liabilities - Group	2017 £	2016 £
Syndicate Participation	Corporate	Corporate
£	£	£
Sterling	(63,344)	(250,043)
United States Dollar	(31,327)	59,882
Euro	18,626	22,078
Canadian Dollar	17,085	20,162
Australian Dollar	2,948	2,990
Japanese Yen	118	(584)
Other	2,415	2,648
		£
Net assets and liabilities – Parent	2017 £	2016 £
Sterling	(101,251)	(48,237)
United States Dollar	-	-
Euro	-	-
Canadian Dollar	-	-
Australian Dollar	-	-
Japanese Yen	-	-
Other	-	-

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

v Currency risk (continued)

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.

	Corporate profit and loss			
	31 December 2017		31 December 2016	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of sterling exchange movement by 10%				
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

	Parent profit and loss			
	31 December 2017		31 December 2016	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of sterling exchange movement by 10%				
United States Dollar	-	-	-	-
Euro	-	-	-	-

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.

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 Group 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 2017

8. Insurance Contracts

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

	2017			2016		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	218,222	29,316	188,906	178,365	22,061	156,304
Movements in the year	729	4,738	(4,009)	15,091	3,915	11,176
Exchange differences	(13,915)	(2,658)	(11,257)	24,766	3,340	21,426
At 31 December	205,036	31,396	173,640	218,222	29,316	188,906

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

	2017			2016		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	699,818	134,499	565,319	542,483	83,128	459,355
Movements in the year	146,659	79,789	66,870	48,083	26,757	21,326
Exchange differences	(54,314)	(6,470)	(47,844)	109,252	24,614	84,638
At 31 December	792,163	207,818	584,345	699,818	134,499	565,319

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

	2017 £	2016 £
At 1 January	57,519	45,986
Movements in the year	2,096	4,680
Exchange differences	(844)	6,853
At 31 December	58,771	57,519

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.

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.

Macdonald Boston Co. 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 – gross

Reporting year	2013 and prior £	2014 £	2015 £	2016 £	2017 £	Total £
Estimate of cumulative claims						
At end of						
reporting year	428,206	114,901	114,588	131,715	239,265	1,028,675
One year later	681,549	206,679	229,465	280,850	-	1,398,543
Two years later	672,006	215,544	241,034	-	-	1,128,584
Three years later	654,369	207,237	-	-	-	861,606
Four years later	639,668	-	-	-	-	639,668
Five years later	-	-	-	-	-	-
Cumulative payments to date	525,062	143,848	120,086	95,798	43,010	927,804
Estimated balance to pay	226,518	63,390	120,949	185,051	196,255	792,163
				2012 and prior in 2015	2013 and prior in 2016	2014 and prior in 2017
				£	£	£
RITC received at 24 months				1,062,235	-	-
Reserve strengthening/(reduction) in subsequent 12 months				(77,691)	-	-
Paid in subsequent 12 months				(185,435)	-	-
Prior years RITC at 36 months				799,109	-	-

Claims development – net

Reporting year	2013 and prior £	2014 £	2015 £	2016 £	2017 £	Total £
Estimate of cumulative claims						
At end of						
reporting year	368,816	98,772	98,714	106,424	152,282	825,008
One year later	601,973	182,219	201,598	227,243	-	1,213,033
Two years later	591,927	188,328	210,711	-	-	990,966
Three years later	566,738	181,584	-	-	-	748,322
Four years later	552,467	-	-	-	-	552,467
Five years later	-	-	-	-	-	-
Cumulative payments to date	462,981	131,708	110,659	84,337	35,438	825,123
Estimated balance to pay	174,668	49,876	100,051	142,906	116,844	584,345
				2012 and prior in 2015	2013 and prior in 2016	2014 and prior in 2017
				£	£	£
RITC received at 24 months				879,872	-	-
Reserve strengthening/(reduction) in subsequent 12 months				(82,991)	-	-
Paid in subsequent 12 months				(146,575)	-	-
Prior years RITC at 36 months				650,306	-	-

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

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

	2017		2016	
	Syndicate Participation	Corporate	Syndicate Participation	Corporate
	£	£	£	£
Retained profit/(loss) brought forward	47,086	(106,702)	42,480	(56,415)
Reallocate distribution	(64,889)	64,889	(30,156)	30,156
Profit/(loss) for the financial year	(28,797)	(62,812)	34,762	(59,664)
Distribution to minority interest	-	(61,074)	-	(20,779)
Equity dividend	-	-	-	-
Retained profit/(loss) carried forward	(46,600)	(165,699)	47,086	(106,702)

Parent

	2017	2016
	£	£
Retained profit/(loss) brought forward	(48,337)	(20,116)
Profit/(loss) for the financial year	(53,014)	(28,221)
Retained profit/(loss) carried forward	(101,351)	(48,337)

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2017

11. Deferred Tax - Group

					2017
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	(3,383)	(1,544)	-	27,338	22,411
Movement in the year	(4,458)	(896)	-	(826)	(6,180)
At 31 December	(7,841)	(2,440)	-	26,512	16,231

					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

The unused tax losses carried forward at the Balance Sheet date are £12,840. 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 Company. At the Balance Sheet date the amount due (to)/from the Company was £215,882 (2016: £188,431).

At the balance sheet date the amount due to/(from) the company to Roderick Macdonald Syndicates's LLP was £10,705 (2016: £2,251). 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.