

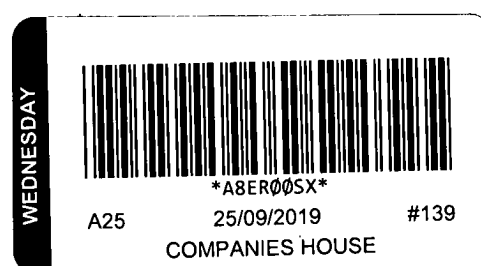
Company Registration Number: 9123773

Macdonald Boston Co. Limited

**Annual Report
31 December 2018**

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Macdonald Boston Co. Limited
Company Information

Directors Mr R L Macdonald
Mr M W Webb
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

Macdonald Boston Co. Limited Strategic Report

The Directors submit their Strategic Report for the Group for the year ended 31 December 2018.

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 2016, 2017 and 2018 years of account, as well as any 2015 and prior run-off years. The 2016 year closed at 31 December 2018 with a result of £14,333 (2015 - £39,023). The 2017 and 2018 open underwriting accounts will normally close at 31 December 2019 and 2020 respectively.

Results and Dividends

The results for the year are set out on pages 8 to 9 of the Financial Statements. Dividends totalling £Nil were paid in the year (2017 - £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

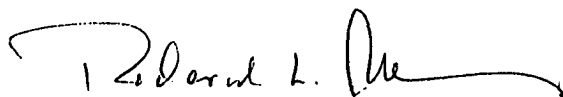
	2018	2017
Capacity (youngest underwriting year)	£ 543,684	£ 489,221
Gross premium written as a % of capacity	91.3%	97.5%
Underwriting profit of latest closed year:		
as a % of capacity	3.2%	9.0%
Run-off years of account movement	£ -	£ -
Combined ratio	99.1%	112.7%

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

Brexit

The Brexit talks continue with parliament debating the EU Withdraw Bill. At present the insurance sector still needs certainty on the UK's future trading relationship with the EU. The priority is to ensure mutual insurance and reinsurance market access if the UK leaves the EU. Lloyd's have established a subsidiary, Lloyd's Brussels, which opened for business on 13 November 2018 and provides certainty for the market and Lloyd's clients. All legacy European Economic Area business will be moving to Lloyd's Brussels before the end of 2020 via a part VII transfer. The 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 14 / 9 / 2019
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 2018.

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 2019 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 will continue in business.

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

Directors

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

Mr R L Macdonald
Mr M W Webb (Appointed 29 March 2019)
APCL Corporate Director No. 1 Limited
APCL Corporate Director No. 2 Limited
Mr J A Mackay (Resigned 29 March 2019)

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

Auditors

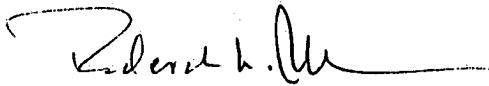
Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

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
and signed on its behalf by:

19/9/2019



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 2018 which comprise Group Statement of Comprehensive Income, Group Statement of Financial Position, Company Statement of Financial Position, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Directors' view on the impact of Brexit is disclosed on page 2.

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

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

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

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

Macdonald Boston Co. Limited

Independent Auditor's Report (continued)

Other information (continued)

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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; 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 and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the 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.

Macdonald Boston Co. Limited
Independent Auditor's Report (continued)

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 (Sep 23, 2019)

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

23 Sep 2019

Macdonald Boston Co. Limited
Group Statement of Comprehensive Income
Technical Account – general business
For the year ended 31 December 2018

	Note	2018 £	2017 £
Premiums			
Gross premiums written	1	496,320	477,024
Outward reinsurance premiums	1	(102,084)	(102,568)
Net premiums written		<u>394,236</u>	<u>374,456</u>
Change in the provision for unearned premiums			
Gross provision	1	(13,439)	(729)
Reinsurers' share	1	2,710	4,738
Earned premiums, net of reinsurance		<u>383,507</u>	<u>378,465</u>
Allocated investment return transferred from the non-technical account		5,661	10,645
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(271,865)	(227,987)
Reinsurers' share	1	58,433	29,995
Net claims paid		<u>(213,432)</u>	<u>(197,992)</u>
Change in provision for claims			
Gross amount	1	(6,489)	(152,584)
Reinsurers' share	1	(3,265)	79,789
Change in net provision for claims		<u>(9,754)</u>	<u>(72,795)</u>
Claims incurred, net of reinsurance		(223,186)	(270,787)
Changes in other technical provisions, net of reinsurance		(1,376)	1,473
Net operating expenses	1,2	(156,713)	(155,614)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		<u>7,893</u>	<u>(35,818)</u>

The accounting policies and notes on pages 16 to 45 form part of these Financial Statements.

Macdonald Boston Co. Limited
Group Statement of Comprehensive Income
Non Technical Account
For the year ended 31 December 2018

	Note	2018 £	2017 £
Balance on technical account for general business		7,893	(35,818)
Investment income	3	5,703	10,662
Allocated investment return transferred to the general business technical account		(5,661)	(10,645)
Other income		(32)	1,058
Other charges, including value adjustments		(59,263)	(62,273)
Loss on ordinary activities before taxation	4	<u>(51,360)</u>	<u>(97,016)</u>
Tax on loss on ordinary activities	5	616	5,361
Loss for the financial year		<u>(50,744)</u>	<u>(91,655)</u>
Other comprehensive (expenditure)/income:			
Currency translation differences		(1,578)	32
Tax on other comprehensive (expenditure)/income		257	14
Total comprehensive expenditure	10	<u>(52,065)</u>	<u>(91,609)</u>

All amounts relate to continuing operations.

The accounting policies and notes on pages 16 to 45 form part of these Financial Statements.

Macdonald Boston Co. Limited
Group Statement of Financial Position
As at 31 December 2018

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	6	-	45,342	45,342	-	84,446	84,446
Investments							
Other financial investments	7	494,773	-	494,773	499,846	-	499,846
Deposits with ceding undertakings		30	-	30	29	-	29
		494,803	-	494,803	499,875	-	499,875
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	35,727	-	35,727	31,396	-	31,396
Claims outstanding	8	206,997	-	206,997	207,818	-	207,818
Other technical provisions		1,674	-	1,674	2,472	-	2,472
		244,398	-	244,398	241,686	-	241,686
Debtors							
Amounts falling due within one year	7	195,124	2,386	197,510	178,711	-	178,711
Amounts falling due after one year	7	46,163	10,489	56,652	47,187	-	47,187
		241,287	12,875	254,162	225,898	-	225,898
Other assets							
Cash at bank and in hand		25,245	-	25,245	29,907	-	29,907
Other		31,195	-	31,195	29,188	-	29,188
		56,440	-	56,440	59,095	-	59,095
Prepayments and accrued income							
Accrued interest		1,593	-	1,593	1,468	-	1,468
Deferred acquisitions costs	8	62,490	-	62,490	58,771	-	58,771
Other prepayments and accrued income		5,839	-	5,839	3,095	-	3,095
		69,922	-	69,922	63,334	-	63,334
Total assets		1,106,850	58,217	1,165,067	1,089,888	84,446	1,174,334

The accounting policies and notes on pages 16 to 45 form part of these Financial Statements.

Macdonald Boston Co. Limited
Group Statement of Financial Position
As at 31 December 2018

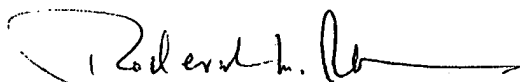
		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	9	-	100	100	-	100	100
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	-	-	-	-	-
Profit and loss account	10	(82,228)	(182,134)	(264,362)	(46,600)	(165,697)	(212,297)
Shareholders' funds – attributable to equity interests		(82,228)	(182,034)	(264,262)	(46,600)	(165,597)	(212,197)
Equity attributable to owners of the parent company				(264,364)			(212,299)
Non-controlling interests				2			2
				<u>(264,264)</u>			<u>(212,199)</u>
Technical provisions							
Provision for unearned premiums	8	226,629	-	226,629	205,036	-	205,036
Claims outstanding	8	823,434	-	823,434	792,163	-	792,163
Other technical provisions		602	-	602	-	-	-
Provisions for other risks							
Deferred taxation	11	-	12,524	12,524	-	16,231	16,231
Other		2,079	-	2,079	-	-	-
Deposit received from reinsurers		2,235	-	2,235	62	-	62
Creditors							
Amounts falling due within one year	7	103,996	216,899	320,895	111,018	221,003	332,021
Amounts falling due after one year	7	18,282	1,600	19,882	17,767	2,400	20,167
		<u>1,177,257</u>	<u>231,023</u>	<u>1,408,280</u>	<u>1,126,046</u>	<u>239,634</u>	<u>1,365,680</u>
Accruals and deferred income		11,821	9,228	21,049	10,442	10,409	20,851
Total liabilities		1,106,850	58,217	1,165,067	1,089,888	84,446	1,174,334

The accounting policies and notes on pages 16 to 45 form part of these Financial Statements.

Macdonald Boston Co. Limited
Company Statement of Financial Position
As at 31 December 2018

	Notes	2018 £	2017 £
Fixed assets			
Investments	7	160,921	160,921
		<u>160,921</u>	<u>160,921</u>
Current assets			
Other debtors	7	14,814	11,106
Prepayments and accrued income		-	-
Cash at bank and in hand		-	-
		<u>14,814</u>	<u>11,106</u>
Provision for deferred taxation		-	-
Current liabilities			
Creditors	7	(188,895)	(196,282)
Accruals and deferred income		(101,562)	(76,996)
		<u>(290,457)</u>	<u>(273,278)</u>
Net liabilities		<u>(114,722)</u>	<u>(101,251)</u>
Capital and reserves			
Called up share capital	9	100	100
Profit and loss account	10	(114,822)	(101,351)
Total shareholders' funds		<u>(114,722)</u>	<u>(101,251)</u>

Approved and authorised for issue by the Board on 14 / 9 / 2019
and signed on its behalf by:



R L MACDONALD
Director

Company registration number: 9123773

The accounting policies and notes on pages 16 to 45 form part of these Financial Statements.

Macdonald Boston Co. Limited
Group Statement of Changes in Equity
For the year ended 31 December 2018

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	100	-	-	(59,616)	-	(59,516)
Loss for the year	-	-	-	(91,653)	-	(91,653)
Other comprehensive income	-	-	-	46	-	46
Total comprehensive expenditure	-	-	-	(91,607)	-	(91,607)
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	-	-	(212,297)	-	(212,197)
Loss for the year	-	-	-	(50,744)	-	(50,744)
Other comprehensive expenditure	-	-	-	(1,321)	-	(1,321)
Total comprehensive expenditure	-	-	-	(52,065)	-	(52,065)
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Distribution to minority interest	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2018	100	-	-	(264,362)	-	(264,262)

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 16 to 45 form part of these Financial Statements.

Macdonald Boston Co. Limited

Company Statement of Changes in Equity For the year ended 31 December 2018

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	100	-	-	(48,337)	-	(48,237)
Loss for the year	-	-	-	(53,014)	-	(53,014)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive expenditure	-	-	-	(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)
Loss for the year	-	-	-	(13,471)	-	(13,471)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive expenditure	-	-	-	(13,471)	-	(13,471)
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2018	100	-	-	(114,822)	-	(114,722)

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 16 to 45 form part of these Financial Statements.

Macdonald Boston Co. Limited
Group Statement of Cash Flows
For the year ended 31 December 2018

	2018 £	2017 £
Operating activities		
Loss on ordinary activities before tax	(51,360)	(97,016)
Loss attributable to Syndicate transactions	34,050	32,646
Loss - excluding Syndicate transactions	(17,310)	(64,370)
Adjusted for:		
Increase in debtors	(12,875)	-
(Decrease)/increase in creditors	(7,322)	29,769
Profit on disposal of intangible assets	32	6
Amortisation of Syndicate capacity	33,774	32,983
Amortisation of Goodwill	6,433	6,433
Realised/unrealised gains on investments	-	-
Investment income	(42)	(17)
Corporation and overseas taxes losses	(1,596)	(806)
Net cash inflow from operating activities	1,094	3,998
Investing activities		
Investment income	42	17
Purchase of Syndicate capacity	(1,136)	(4,015)
Proceeds from sale of Syndicate capacity	-	-
Purchase of financial investments	-	-
Proceeds from sale of financial investments	-	-
Net cash outflow from investing activities	(1,094)	(3,998)
Financing activities		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	-	-
Net cash inflow from financing activities	-	-
Net cash increase in cash and cash equivalents	-	-
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-
Consisting of:		
Cash at bank and in hand	-	-
Cash equivalents	-	-
	-	-

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

The accounting policies and notes on pages 16 to 45 form part of these Financial Statements.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Basis of preparation of Financial Statements

General information

The Company is a private company limited by shares and 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 statement of comprehensive income account is presented for Macdonald Boston Co. Limited as permitted by section 408 of the Companies Act 2006. The loss attributable to the company is £(13,471) (2017: loss £(53,014)).

A subsidiary is consolidated from the date of its 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 statement of comprehensive income 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 statement of comprehensive income. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its statement of financial position (under the column heading "Syndicate Participation"). 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 2018

Basis of preparation of Financial Statements (continued)

Sources of data

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

The format of the Returns is established by Lloyd's. Lloyd's 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 2018 the Company had net liabilities of £264,262 (2017: £212,197). The Directors consider the Company to be a going concern and have prepared the Financial Statements on that basis. The Group is continuing to underwrite at Lloyd's for the 2019 year of account, it is anticipated that it will be able to make good the shortfall in assets arising from the 2017 and 2018 open underwriting years.

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 year end 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.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

v Unexpired risk provision

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

vi Deferred acquisition costs

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

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.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

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 debtors, trade and other creditors and investments in a variety of basic and non-basic financial instruments, through both the Corporate and through the Syndicates.

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

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

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

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

At the end of each reporting year, the 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 statement of comprehensive income.

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. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of comprehensive income immediately.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

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 statement of financial position if, and only if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

xii Net operating expenses

Operating expenses are recognised when incurred. They include the 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 year end date. Non-monetary assets and liabilities at the statement of financial position 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 statement of comprehensive income.

xiv Intangible assets

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

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

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

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 statement of financial position. 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.

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.

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

xix 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.

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

Critical accounting judgements

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

Assessing indicators of impairment

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

Key sources of estimation uncertainty

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

Impairment review

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

Recoverability of receivables

The 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 2018

1. Class of Business

2018	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	21,223	22,423	(10,972)	(9,643)	(473)	1,335
Motor – third party liability	1,243	1,302	(662)	(415)	(140)	85
Motor – other classes	48,755	49,190	(18,466)	(15,223)	(13,109)	2,392
Marine, aviation and transport	41,288	42,382	(19,534)	(16,195)	(5,044)	1,609
Fire and other damage to property	135,722	127,216	(75,817)	(41,208)	(15,482)	(5,291)
Third party liability	111,058	103,635	(59,035)	(40,511)	(2,754)	1,335
Credit and suretyship	11,199	10,766	(5,355)	(3,590)	(341)	1,480
Legal expenses	477	491	(156)	(323)	3	15
Assistance	-	-	-	-	-	-
Miscellaneous	4,503	4,191	(2,437)	(1,562)	(379)	(187)
	375,468	361,596	(192,434)	(128,670)	(37,719)	2,773
Reinsurance	120,852	121,285	(85,920)	(28,043)	(6,487)	835
Total	496,320	482,881	(278,354)	(156,713)	(44,206)	3,608

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)

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 2018

2. Net Operating Expenses

	2018 £	2017 £
Acquisition costs	132,580	130,064
Change in deferred acquisition costs	(2,045)	(2,096)
Administrative expenses	29,880	27,505
Reinsurance commissions and profit participations	(16,107)	(13,804)
Personal expenses	12,405	13,945
	<u>156,713</u>	<u>155,614</u>

3. Investment Income

	2018 £	2017 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	12,128	11,486
Realised gains and losses	(727)	(476)
Unrealised gains and losses	(5,136)	571
Other	-	-
	<u>6,265</u>	<u>11,581</u>
Financial instruments held at amortised cost:		
Interest	42	17
Other	-	-
	<u>42</u>	<u>17</u>
Investment management expenses, including interest	(604)	(936)
	<u>(604)</u>	<u>(936)</u>
	<u>5,703</u>	<u>10,662</u>

4. Loss on Ordinary Activities before Taxation

	2018 £	2017 £
Operating loss is stated after charging:		
Directors' remuneration	-	-
Amortisation of Syndicate capacity	33,774	32,983
Amortisation of Goodwill	-	6,433
Loss on disposal of intangible fixed assets	32	6
Loss on exchange	2,883	851

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 Group.

The auditors charge a fixed fee to Argenta Private Capital Limited of £1,560 (2017: £1,250) for the provision of the statutory audit, they also provide non-audit services through an outsourcing arrangement of approximately £515.

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

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2018

5. Taxation	2018 £	2017 £
Analysis of charge in year		
Current tax:		
UK corporation tax on loss of the year	1,236	-
Adjustment in respect of previous period	-	-
	<u>1,236</u>	<u>-</u>
Foreign tax	1,598	804
	<u>1,598</u>	<u>804</u>
Total current tax	2,834	804
Deferred tax:		
Origination and reversal of timing differences	(2,160)	(8,625)
Change in tax rate	(1,547)	2,446
	<u>(1,547)</u>	<u>2,446</u>
Total tax	<u>(873)</u>	<u>(5,375)</u>
Factors affecting tax charge for period		
The tax assessed for the period is different to the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:		
Loss on ordinary activities before tax	<u>(51,360)</u>	<u>(97,016)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	(9,758)	(18,676)
Effects of:		
Change in deferred tax rate	(1,547)	2,446
Deferred tax asset previously unrecognised	-	-
Foreign tax	1,294	649
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	7,333	10,472
Prior period and other adjustments	<u>1,805</u>	<u>(266)</u>
Total tax credit for the period	<u>(873)</u>	<u>(5,375)</u>

The results of the Group's participation on the 2016, 2017 and 2018 years of account and any calendar year movement on 2015 and prior run-offs, will not be assessed to tax until the year ended 31 December 2019, 2020 and 2021 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 2018

6. Intangible Assets

	2018			2017		
	Syndicate Capacity £	Goodwill £	Total £	Syndicate Capacity £	Goodwill £	Total £
Cost						
At 1 January	168,927	32,163	201,090	164,921	32,163	197,084
Additions	1,136	-	1,136	4,015	-	4,015
Disposals	(59)	-	(59)	(9)	-	(9)
At 31 December	170,004	32,163	202,167	168,927	32,163	201,090
Amortisation						
At 1 January	97,347	19,297	116,644	64,368	12,864	77,232
Additions	33,774	6,433	40,207	32,983	6,433	39,416
Disposals	(26)	-	(26)	(4)	-	(4)
At 31 December	131,095	25,730	156,825	97,347	19,297	116,644
Net Book Value						
At 31 December	38,909	6,433	45,342	71,580	12,866	84,446

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Group - Syndicate participation

	2018 Market Value £	2017 Market Value £
Shares and other variable yield securities and units in unit trusts	70,830	78,350
Debt securities and other fixed income securities	394,713	397,565
Participation in investment pools	17,519	13,226
Loans with credit institutions	8	19
Derivative financial instruments	198	255
Other investments	423	381
Deposits with credit institutions	2,637	2,592
Other	8,445	7,458
	<u>494,773</u>	<u>499,846</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
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7. Financial Instruments and Financial Risk Management (continued)

7.1 Financial Investments (continued)

Other financial investments – Parent

	2018 Cost £	2017 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	2018		2017	
	Syndicate Participation £	Corporate £	Syndicate Participation £	Corporate £
Amounts falling due within one year:				
Arising out of direct insurance operations	100,171	-	89,413	-
Arising out of reinsurance operations	77,372	-	68,372	-
Other Debtors:				
Amounts due from group undertakings	-	-	-	-
Other	17,581	2,386	20,926	-
Total Amounts falling due within one year	<u>195,124</u>	<u>2,386</u>	<u>178,711</u>	<u>-</u>
Amounts falling due after one year:				
Arising out of direct insurance operations	3,191	-	1,699	-
Arising out of reinsurance operations	38,971	-	40,818	-
Other Debtors:				
Amounts due from group undertakings	-	-	-	-
Other	4,001	10,489	4,670	-
Total Amounts falling due after one year	<u>46,163</u>	<u>10,489</u>	<u>47,187</u>	<u>-</u>
	<u>241,287</u>	<u>12,875</u>	<u>225,898</u>	<u>-</u>

Macdonald Boston Co. Limited
Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors (continued)

Parent	2018 £	2017 £
Amounts due from group undertakings	-	-
Other	14,814	11,106
	<u>14,814</u>	<u>11,106</u>

7.3 Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the statement of financial position as:

Group	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	-	-	-	-	-
Investments	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Parent	2018 £	2017 £
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
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7. Financial Instruments and Financial Risk Management (continued)

7.4 Creditors

Group	2018		2017	
	Syndicate Participation £	Corporate £	Syndicate Participation £	Corporate £
Amounts falling due within one year:				
Arising out of direct insurance operations	12,453	-	12,453	17,118
Arising out of reinsurance operations	50,886	-	50,886	45,197
Amounts owed to credit institutions	-	-	-	1,479
Other creditors:				
Corporation tax	-	1,237	-	-
Directors' loan accounts	-	214,863	-	215,882
Third party funds	-	-	-	-
Other creditors	40,657	799	47,224	5,121
Amount due to group undertakings	-	-	-	-
Total Amounts falling due within one year	103,996	216,899	320,895	332,021
Amounts falling due after one year:				
Arising out of direct insurance operations	144	-	144	95
Arising out of reinsurance operations	17,267	-	17,267	15,854
Amounts owed to credit institutions	-	-	-	-
Other creditors:				
Corporation tax	-	-	-	-
Directors' loan accounts	-	-	-	-
Third party funds	-	-	-	-
Other creditors	871	1,600	2,471	2,400
Amount due to group undertakings	-	-	-	-
Total Amounts falling due after one year	18,282	1,600	19,882	20,167
	122,278	218,499	340,777	352,188

Parent	2018 £	2017 £
Corporation tax	1,237	-
Directors' loan accounts	180,238	181,258
Other creditors	-	4,319
Amount due to group undertakings	7,420	10,705
	188,895	196,282

Macdonald Boston Co. Limited
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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

	2018			2017		
	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	494,773	-	494,773	499,846	-	499,846
Deposits with ceding undertakings	-	30	30	-	29	29
Insurance debtors	-	103,362	103,362	-	91,112	91,112
Reinsurance debtors	-	116,343	116,343	-	109,190	109,190
Other debtors	-	21,582	21,582	-	25,596	25,596
Cash at bank and in hand	-	25,245	25,245	-	29,907	29,907
Other assets	31,195	-	31,195	29,188	-	29,188
	525,968	266,562	792,530	529,034	255,834	784,868
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	252	-	252	69	-	69
Insurance creditors	-	12,597	12,597	-	17,213	17,213
Reinsurance creditors	-	68,153	68,153	-	61,051	61,051
Amounts owed to credit institutions	-	-	-	-	1,479	1,479
Other creditors	-	-	-	-	-	-
	252	80,750	81,002	69	79,743	79,812

Other financial investments – Group - Corporate

	2018			2017		
	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	-	12,875	12,875	-	-	-
Cash at bank and in hand	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	-	12,875	12,875	-	-	-
Financial liabilities						
Other creditors	-	218,499	218,499	-	223,403	223,403
	-	218,499	218,499	-	223,403	223,403

Macdonald Boston Co. Limited
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7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments (continued)

Other financial investments – Parent

	2018		2017	
	At fair value through profit or loss £	At amortised cost £	At fair value through profit or loss £	At amortised cost £
Financial assets				
Investments	-	160,921	-	160,921
Other debtors	-	14,814	-	11,106
Cash at bank and in hand	-	-	-	-
Other assets	-	-	-	-
	-	175,735	-	172,027
Financial liabilities				
Other creditors	-	188,895	-	196,282
	-	188,895	-	196,282

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

	2018		2017	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	5,498	198	6,018	208
Interest rate future contracts	-	-	2,773	8
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	-	-
Other	-	-	-	39
	5,498	198	8,791	255

Macdonald Boston Co. Limited
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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 Company'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 £
2018						
Financial assets						
Shares and other variable yield securities and units in unit trusts	23,668	47,133	29	70,830	-	70,830
Debt securities and other fixed income securities	154,432	240,281	-	394,713	-	394,713
Participation in investment pools	13,703	1,799	2,017	17,519	-	17,519
Loans and deposits with credit institutions	2,629	16	423	3,068	-	3,068
Overseas deposits	20,320	17,144	1,622	39,086	-	39,086
Derivatives	198	-	-	198	-	198
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	214,950	306,373	4,091	525,414	-	525,414
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	235	17	-	252	-	252
Financial liabilities classified as held for sale	-	-	-	-	-	-
	235	17	-	252	-	252

Macdonald Boston Co. Limited
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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 £
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

Other financial investments – Group - Corporate

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2018						
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
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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 £
2017						
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 £
2018						
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 £
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

Macdonald Boston Co. Limited
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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
- Currency 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 £
2018						
Shares and other variable yield securities and units in unit trusts	8,032	3,104	29,601	3,630	26,463	70,830
Debt securities and other fixed income securities	65,951	106,482	122,640	88,359	11,281	394,713
Participation in investment pools	363	15,131	5	3	2,017	17,519
Loans secured with credit institutions	-	8	-	-	423	431
Deposits with credit institutions	-	-	2,098	-	539	2,637
Overseas deposits	16,577	6,063	3,450	3,278	9,718	39,086
Derivative investments	-	-	174	24	-	198
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	30	30
Reinsurers share of claims outstanding	17,137	42,298	133,486	358	13,718	206,997
Reinsurance debtors	451	2,360	7,911	-	1,407	12,129
Cash at bank and in hand	258	2,594	15,841	3,746	2,806	25,245
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	108,769	178,040	315,206	99,398	68,402	769,815

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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
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

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 £
2018						
Shares and other variable yield securities and units in unit trusts	70,830	-	-	-	-	70,830
Debt securities and other fixed income securities	394,713	-	-	-	-	394,713
Participation in investment pools	17,519	-	-	-	-	17,519
Loans secured with credit institutions	431	-	-	-	-	431
Deposits with credit institutions	2,637	-	-	-	-	2,637
Overseas deposits	39,086	-	-	-	-	39,086
Derivative investments	198	-	-	-	-	198
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	30	-	-	-	-	30
Reinsurers share of claims outstanding	207,060	-	-	-	(63)	206,997
Reinsurance debtors	8,604	3,451	80	(2)	(4)	12,129
Cash at bank and in hand	25,245	-	-	-	-	25,245
Insurance debtors	94,880	6,334	864	1,400	(116)	103,362
Other debtors	219,221	294	145	-	-	219,660
	1,080,454	10,079	1,089	1,398	(183)	1,092,837

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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

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

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 £
2018						
Derivative financial instruments	-	252	-	-	-	252
Deposits received from reinsurers	-	2,235	-	-	-	2,235
Provisions for other risks and charges	-	1,163	470	198	248	2,079
Claims outstanding	(1)	290,992	282,633	121,060	128,750	823,434
Creditors	570	94,751	18,674	4,917	-	118,912
Other	-	(1,163)	(470)	(198)	(248)	(2,079)
	569	388,230	301,307	125,977	128,750	944,833

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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
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

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

Interest rate risk

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

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

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

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

Syndicate participation	2018 £	2017 £
Impact of 50 basis point increase on profit or loss	(3,868)	(4,007)
Impact of 50 basis point decrease on profit or loss	3,902	4,043
Impact of 50 basis point increase on equity	(3,868)	(4,007)
Impact of 50 basis point decrease on equity	3,902	4,043

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.

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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.

Syndicate participation

	2018	2017
	£	£
Impact on profit or loss of 5% increase in Stock Market Prices	789	703
Impact on profit or loss of 5% decrease in Stock Market Prices	(785)	(705)
Impact on equity of 5% increase in Stock Market Prices	789	703
Impact on equity of 5% decrease in Stock Market Prices	(785)	(705)

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

	Syndicate	2018	Syndicate	2017
	Participation	Corporate	Participation	Corporate
	£	£	£	£
Sterling	(70,338)	(227,376)	(63,344)	(250,043)
United States Dollar	(41,060)	-	(31,327)	-
Euro	13,439	-	18,626	-
Canadian Dollar	19,895	-	17,085	-
Australian Dollar	3,406	-	2,948	-
Japanese Yen	(3,829)	-	118	-
Other	3,054	-	2,415	-

Net assets and liabilities – Parent

	2018	2017
	£	£
Sterling	(114,722)	(101,251)
United States Dollar	-	-
Euro	-	-
Canadian Dollar	-	-
Australian Dollar	-	-
Japanese Yen	-	-
Other	-	-

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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (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 statement of comprehensive income.

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

	Parent profit and loss			
	31 December 2018		31 December 2017	
	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.

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.

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Notes to the Financial Statements
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8. Insurance Contracts

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

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	792,163	207,818	584,345	699,818	134,499	565,319
Movements in the year	6,489	(3,265)	9,754	146,659	79,789	66,870
Exchange differences	24,782	2,444	22,338	(54,314)	(6,470)	(47,844)
At 31 December	823,434	206,997	616,437	792,163	207,818	584,345

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

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	205,036	31,396	173,640	218,222	29,316	188,906
Movements in the year	13,439	2,710	10,729	729	4,738	(4,009)
Exchange differences	8,154	1,621	6,533	(13,915)	(2,658)	(11,257)
At 31 December	226,629	35,727	190,902	205,036	31,396	173,640

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

	2018 £	2017 £
At 1 January	58,771	57,519
Movements in the year	2,045	2,096
Exchange differences	1,674	(844)
At 31 December	62,490	58,771

8.1 Risks arising from Insurance Contracts

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

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

Macdonald Boston Co. Limited
Notes to the Financial Statements
For the year ended 31 December 2018

8. Insurance Contracts (continued)

8.1 Risks arising from Insurance Contracts (continued)

Claims development - gross

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	161,627	250,218	250,367	247,822	241,954	237,667	231,088	229,369
2012	159,623	237,543	231,230	222,260	218,385	212,026	209,662	
2013	125,852	222,303	218,691	211,796	205,479	202,295		
2014	120,395	216,005	225,023	215,480	218,947			
2015	118,536	236,347	246,870	239,480				
2016	136,356	293,629	300,828					
2017	253,913	373,062						
2018	193,308							
	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received					
2011	206,547	22,823	(20,771)					
2012	184,768	24,894	(33,124)					
2013	172,723	29,572	(18,807)					
2014	164,122	54,825	(37,095)					
2015	166,384	73,096	(44,711)					
2016	156,139	144,689						
2017	160,499	212,563						
2018	28,710	164,598						

Claims development - net

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	139,997	218,656	218,119	211,118	205,074	200,773	197,227	197,412
2012	134,304	208,864	204,457	193,777	188,693	185,401	184,270	
2013	110,432	198,634	193,799	185,406	181,238	180,095		
2014	103,389	190,436	196,757	189,846	191,474			
2015	101,994	206,997	215,628	211,243				
2016	109,980	238,814	250,807					
2017	164,223	265,182						
2018	134,626							

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8. Insurance Contracts (continued)

8.1 Risks arising from Insurance Contracts (continued)

Claims development – net (continued)

	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011	179,788	17,624	(26,138)
2012	162,594	21,677	(32,228)
2013	153,964	26,131	(25,961)
2014	150,860	40,614	(28,851)
2015	150,062	61,181	(27,637)
2016	134,708	116,099	
2017	119,275	145,907	
2018	25,083	109,543	

9. Called-up Share Capital

Issued and fully paid	Number of shares			At 31 December
	At 1 January	Issued during the year	Redeemed during the year	
Par value per share				
100 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.

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10. Profit and Loss Account

Group	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained loss brought forward	(46,600)	(165,697)	(212,297)	47,086	(106,702)	(59,616)
Reallocate distribution	(39,022)	39,022	-	(64,889)	64,889	-
Loss for the financial year	3,394	(55,459)	(52,065)	(28,797)	(62,812)	(91,609)
Distribution to minority interest	-	-	-	-	(61,072)	(61,072)
Equity dividends	-	-	-	-	-	-
Retained loss carried forward	(82,228)	(182,134)	(264,362)	(46,600)	(165,697)	(212,297)

Parent

	2018 £	2017 £
Retained loss brought forward	(101,351)	(48,337)
Loss for the financial year	(13,471)	(53,014)
Retained loss carried forward	(114,822)	(101,351)

11. Deferred Tax - Group

	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	2018 Total £
At 1 January	(7,841)	(2,440)	-	26,512	16,231
Movement in the year	(6,114)	2,440	-	(33)	(3,707)
At 31 December	(13,955)	-	-	26,479	12,524

	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	2017 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

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

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

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12. Related Party Disclosure

During the year the Directors made loans to and from the Company. At the year end date the amount due (to)/from the Company was £180,238 (2017: £181,258).

At the year end date the amount due from the Company to its subsidiary, Roderick Macdonald Syndicates's LLP, was £7,420 (2017: £10,705). 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.