

NEWLINE

UNDERWRITING MANAGEMENT L

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REPORT AND ACCOUNTS

DECEMBER 31, 1999



Registered office as above
Registered in England
Registration no. 3223686

NEWLINE UNDERWRITING MANAGEMENT LIMITED

ANNUAL REPORT AND ACCOUNTS

DECEMBER 31, 1999

Registered No. 3223686

NEWLINE UNDERWRITING MANAGEMENT LIMITED

Directors' Report

The Directors have pleasure in submitting the Annual Report and Accounts of the Company for the year ended December 31, 1999.

The Company changed its name during the year to recognise the change in ultimate ownership and to reflect the reorganisations in the enlarged Fairfax Group. TIG Reinsurance, our immediate parent, merged with the existing Fairfax reinsurance operations to become Odyssey America Reinsurance Corp.

Principal Activity

The principal activity of the Company is that of a Lloyd's managing agent responsible for the management of D J Newman Syndicate 1218. Syndicate 1218, whose capacity is 100% provided by Newline Corporate Name Limited, had a capacity of £25m for the 1999 year of account (1998: £25m).

Fairfax has recently conducted a strategic review of its global operations that recommended a number of changes to its international structure, including the London operations. As a result of this review it is proposed that the Company will provide management services to the London branch of Odyssey America Reinsurance Corp.

Results

The Company does not charge a fee for managing the syndicate and so the only income during the year has been investment income on the shareholder's funds. The loss for the period after taxation amounted to £55,437 (1998 profit £6,723). No dividends have been paid or proposed during the period.

Directors

The Directors listed below have held office from January 1, 1999 to the date of this report unless otherwise stated.

NAME	DATE OF APPOINTMENT	DATE OF RESIGNATION
A A Barnard	June 24, 1999	
M W Hinkley		
R A G Jackson		
J R F Micklem		
P N Middleton		March 29, 2000
D J Newman		
R J Sharp		
B D Young	June 24, 1999	

None of the Directors had any beneficial interests in the Company during the year covered by this report.

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Directors' Report (continued)

No right to subscribe for shares in, or debentures of the Company was granted to, or exercised by, any Director during the year.

The Company Secretary is D J Reed.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

We confirm that we have considered the Year 2000 issue and we have taken the appropriate measures to ensure, as far as possible, that it will not have any significant impact on the business operations or systems of the company.

Small company

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Elective Resolution

An election is in force dispensing with the requirement to lay these financial statements before the Company in general meeting, however, Members have the right by giving notice to the Company, to require the financial statements to be laid before a general meeting.

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Auditors

In accordance with Fairfax group practice, PricewaterhouseCoopers have been appointed as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'J R F Micklem', with a stylized flourish at the end.

J R F Micklem
Managing Director
May 18, 2000

NEWLINE UNDERWRITING MANAGEMENT LIMITED

REPORT OF THE AUDITORS

to the member of Newline Underwriting Management Limited

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

NEWLINE UNDERWRITING MANAGEMENT LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at December 31, 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Registered Auditors
Southwark Towers
32 London Bridge Street, London

May 18, 1999

NEWLINE UNDERWRITING MANAGEMENT LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1999

	Notes	1999 £	1998 £
TURNOVER		-	-
Administrative expenses	1c	85,840	-
Operating result		-	-
Interest payable		-	-
Bank interest receivable		16,160	25,534
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(69,680)	25,534
Taxation	3	(14,243)	18,811
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(55,437)	6,723
Dividends		-	-
Retained (loss)/profit for the year		<u>£ (55,437)</u>	<u>£ 6,723</u>

The company's turnover and expenses all relate to the continuing operations. There were no recognised gains or losses during the period other than those passing through the profit and loss account. The notes on pages 8 to 12 form part of these accounts.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Opening shareholders' funds	1,747,937	1,418,082
(Loss)/Profit for the year	(55,437)	6,723
Capital introduced	-	323,132
Closing shareholders' funds	<u>1,692,500</u>	<u>1,747,937</u>

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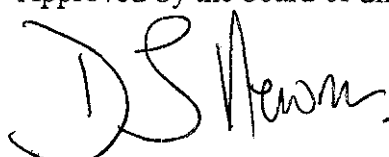
BALANCE SHEET

DECEMBER 31, 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	5	57,939	74,054
CURRENT ASSETS			
Debtors	6	2,082,483	2,000,177
Cash at bank and in hand		<u>244,833</u>	<u>299,455</u>
		2,327,316	2,299,632
CREDITORS: amounts falling due within one year	7	<u>25,840</u>	<u>21,152</u>
NET CURRENT ASSETS		2,301,476	2,278,480
TOTAL ASSETS		<u>2,359,415</u>	<u>2,352,534</u>
CREDITORS: amounts falling due after one year	8	666,915	604,597
NET ASSETS		<u>1,692,500</u>	<u>1,747,937</u>
CAPITAL AND RESERVES			
Called up share capital	9	1,723,132	1,723,132
Profit and loss account	10	<u>(30,632)</u>	<u>24,805</u>
TOTAL SHAREHOLDERS' FUNDS		<u>1,692,500</u>	<u>1,747,937</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board of directors on May 18, 2000



D J Newman



J R F Micklem

The notes on pages 6 to 10 form part of these accounts.

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NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Turnover

Turnover represents profit commissions derived from Corporate Members of Lloyd's. Underwriting profit commissions will be credited in the year in which such amounts are received.

c) Accounting for expenses

Expenditure incurred by the company has been charged to the managed syndicate as set out in the statement of policy of syndicate expenses. Total expenditure of £1,100,000 (1998: £616,000) was paid and recharged to the managed syndicate during the year. In addition, £22,000 (1998: £42,000) was paid by the company and recharged to Odyssey America Reinsurance Corporation in relation to office costs.

d) Depreciation

Depreciation of tangible fixed assets is calculated by reference to cost at rates estimated to write off the relevant assets over their expected useful lives, taking into account normal commercial and technical obsolescence.

The annual rates used are:

Computer equipment	33.33% on cost
Office equipment	33.33% on cost
Furniture, fixtures & fittings	20.00% on cost
Leasehold property improvements	Over term of lease

e) Deferred taxation

Deferred taxation is accounted for on all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

NEWLINE UNDERWRITING MANAGEMENT LIMITED

2. Profit on ordinary activities before taxation

	1999	1998
	£	£

Profit on ordinary activities before taxation is stated after charging the following:

Auditors' remuneration	1,000	1,000
Depreciation	52,395	61,627

3. Taxation on profit on ordinary activities

	1999	1998
	£	£
Taxation charge for the year	(14,397)	14,243
Under-provision for the previous year	<u>154</u>	<u>4,568</u>
	<u>(14,243)</u>	<u>18,811</u>

4. Directors' emoluments

The total emoluments paid to directors, before recharge to the syndicate during the year/period were:

	1999	1998
	£	£
Emoluments	335,200	299,000
Contributions to pension schemes	<u>28,500</u>	<u>27,000</u>
Total Emoluments	<u>363,700</u>	<u>326,000</u>

The emoluments of directors disclosed above include the following amounts paid to the highest paid director:

Emoluments	198,200	170,000
Contributions to pension schemes	18,000	16,000

During the year 2 (1998:2) directors accrued benefits under pension schemes.

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5. Tangible fixed assets

	Short Leaseholds £	Computer Equipment £	Office Equipment £	Furniture, Fixtures and Fittings £	Total £
Cost or valuation:					
1 January 1999	42,651	84,601	1,555	58,751	187,558
Additions	Nil	36,280	Nil	Nil	36,280
Disposals	Nil	Nil	Nil	Nil	Nil
31 December 1999	<u>42,651</u>	<u>120,881</u>	<u>1,555</u>	<u>58,751</u>	<u>223,838</u>
Depreciation					
At 1 January 1999	42,651	49,259	1,204	20,390	113,504
Charge for the year	<u>Nil</u>	<u>40,294</u>	<u>351</u>	<u>11,750</u>	<u>52,395</u>
31 December 1999	42,651	89,553	1,555	32,140	165,899
Net book value					
31 December 1999	Nil	31,328	Nil	26,611	57,939
31 December 1998	Nil	35,342	351	38,361	74,054

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6. Debtors

	1999	1998
	£	£
Amount due from Syndicate 1218	2,022,190	1,975,986
Other Debtors	<u>60,293</u>	<u>24,191</u>
	<u>2,082,483</u>	<u>2,000,177</u>

Included in Other Debtors is a season ticket loan of £254 to D J Newman. The maximum amount outstanding during the year was £1,015.

7. Creditors: amounts falling due within one year

	1999	1998
	£	£
Taxation	-	21,111
Other Creditors	<u>25,840</u>	<u>41</u>
	<u>25,840</u>	<u>21,152</u>

8. Creditors: amounts falling due after one year

	1999	1998
	£	£
Loan from a fellow subsidiary wholly repayable within 5 years	<u>666,915</u>	<u>604,597</u>

9. Share Capital

	1999	1998
	£	£
Authorised 3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>
Allotted, issued and fully paid 1,723,132 (1998: 1,723,132) ordinary shares of £1 each	<u>1,723,132</u>	<u>1,723,132</u>

During the year nil (1998, 323,132) ordinary shares of £1 each were issued fully paid at par value.

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10. Profit and loss account

	1999	1998
	£	£
Opening balance	24,805	18,082
(Loss)/Profit for the year	<u>(55,437)</u>	<u>6,723</u>
Closing balance	<u>(30,632)</u>	<u>24,805</u>

11. FRS8

As permitted by Financial Reporting Standard 8 the company has taken advantage of the exemption from disclosure of transactions with other group companies.

12. Parent Undertakings

The immediate parent is Newline Holdings UK Limited, a company incorporated in Great Britain and the ultimate parent at December 31, 1999 was Fairfax Financial Holdings Limited, a company incorporated in Canada.

Fairfax Financial Holdings Limited became the ultimate parent of Newline Underwriting Management Limited following the completion of its purchase of TIG Holdings, Inc. in April 1999 and the appropriate consent being given by Lloyd's.

Copies of the consolidated financial statements of Fairfax Financial Holdings Limited can be obtained from their head office at 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada M5J 2N7