

TIG SYNDICATE MANAGEMENT LIMITED

ANNUAL REPORT AND ACCOUNTS

DECEMBER 31, 1998

Registered No. 3223686



TIG SYNDICATE MANAGEMENT LIMITED

Directors' Report

The Directors have pleasure in submitting the Annual Report and Accounts of the Company for the year ended December 31, 1998.

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 TIG Corporate Name (No.1) Limited, had a capacity of £25m for the 1998 year of account (1997: £20m).

There are no plans for this to change.

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 profit for the period after taxation amounted to £6,723 (1997 £18,082). This will be retained and no dividends have been paid or proposed during the period.

Directors

The Directors listed below have held office from January 1, 1998 to the date of this report unless otherwise stated.

NAME	DATE OF APPOINTMENT	DATE OF RESIGNATION
W G Clark		February 2, 1998
S G Franks		July 15, 1998
M W Hinkley		
D J Newman		
J R F Micklem		
R J Sharp		
R A G Jackson		
P N Middleton	August 20, 1998	

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

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 M L Jephcott.

TIG SYNDICATE MANAGEMENT LIMITED

Directors' Report (continued)

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.

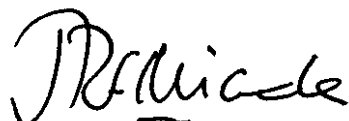
Small company

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.

On behalf of the Board



J R F Micklem
Managing Director
May 20, 1999

TIG SYNDICATE MANAGEMENT LIMITED

REPORT OF THE AUDITORS

to the member of TIG Syndicate Management Limited

We have audited the financial statements on pages 4 to 10 which have been prepared following the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on Page 2 of the financial statements, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We have 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs as at December 31, 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Mazars Neville Russell
Chartered Accountants
and Registered Auditors
24 Bevis Marks, London

May 20, 1999

TIG SYNDICATE MANAGEMENT LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1998

	Notes	1998 £	1997 £
TURNOVER		-	-
Administrative expenses		-	-
Operating result		-	-
Interest payable		-	-
Bank interest receivable		25,534	25,832
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	25,534	25,832
Taxation	3	18,811	7,750
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,723	18,082
Dividends		-	-
		-----	-----
Retained profit for the year		£6,723	£18,082
		=====	=====

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 6 to 10 form part of these accounts.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Opening shareholders' funds	1,418,082	-
Profit for the year	6,723	18,082
Capital introduced	323,132	<u>1,400,000</u>
Closing shareholders' funds	1,747,937	1,418,082
	=====	=====

TIG SYNDICATE MANAGEMENT LIMITED

BALANCE SHEET

DECEMBER 31, 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	5	74,054	98,705
CURRENT ASSETS			
Debtors	6	2,000,177	1,103,699
Cash at bank and in hand		<u>299,455</u>	<u>390,464</u>
		2,299,632	1,494,163
CREDITORS: amounts falling due within one year	7	<u>21,152</u>	<u>19,750</u>
NET CURRENT ASSETS		2,278,480	1,474,413
TOTAL ASSETS		<u>2,352,534</u>	<u>1,573,118</u>
CREDITORS: amounts falling due after one year	8	604,597	155,036
NET ASSETS		<u>1,747,937</u>	<u>1,418,082</u>
CAPITAL AND RESERVES			
Called up share capital	9	1,723,132	1,400,000
Profit and loss account	10	<u>24,805</u>	<u>18,082</u>
TOTAL SHAREHOLDERS' FUNDS		<u>1,747,937</u>	<u>1,418,082</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 20, 1999

D J Newman




J R F Micklem

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

TIG SYNDICATE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

Basis of accounting

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

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.

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 £616,000 (1997: £655,000) was paid and recharged to the managed syndicate during the year. In addition, £42,000 (1997: £36,000) was paid by the company and recharged to TIG Reinsurance Company in relation to office costs.

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

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.

TIG SYNDICATE MANAGEMENT LIMITED

2. Profit on ordinary activities before taxation

	1998	1997
	£	£
Profit on ordinary activities before taxation is stated after charging the following:		

Auditors' remuneration	1,000	1,000
Depreciation	61,627	51,877

3. Taxation on profit on ordinary activities

	1998	1997
	£	£
Taxation charge for the year	14,243	7,750
Under-provision for the previous year	4,568	-
	<u>18,811</u>	<u>7,750</u>
	=====	=====

4. Directors' emoluments

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

	1998	1997
	£	£
Emoluments	299,000	281,000
Contributions to pension schemes	<u>27,000</u>	<u>20,000</u>
Total Emoluments	<u>326,000</u>	<u>301,000</u>
	=====	=====

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

Emoluments	170,000	170,000
Contributions to pension schemes	16,000	14,000

During the year 2 (1997:2) directors accrued benefits under pension schemes.

TIG SYNDICATE MANAGEMENT LIMITED

5. Tangible fixed assets

	Short Leaseholds £	Computer Equipment £	Office Equipment £	Furniture, Fixtures and Fittings £	Total £
Cost or valuation:					
1 January 1998	42,651	63,176	1,555	43,200	150,582
Additions	Nil	21,425	Nil	15,551	36,976
Disposals	Nil	Nil	Nil	Nil	Nil
31 December 1998	42,651	84,601	1,555	58,751	187,558
Depreciation					
At 1 January 1998	21,326	21,059	852	8,640	51,877
Charge for the year	21,325	28,200	352	11,750	61,627
31 December 1998	42,651	49,259	1,204	20,390	113,504
Net book value					
31 December 1998	Nil	35,342	351	38,361	74,054
31 December 1997	21,325	42,117	703	34,560	98,705

TIG SYNDICATE MANAGEMENT LIMITED

6. Debtors

	1998	1997
	£	£
Amount due from Syndicate 1218	1,975,986	1,084,558
Other Debtors	<u>24,191</u>	<u>19,141</u>
	<u>2,000,177</u>	<u>1,103,699</u>
	=====	=====

Included in Other Debtors is a season ticket loan of £262 to D J Newman. The maximum amount outstanding during the year was £1,050.

7. Creditors: amounts falling due within one year

	1998	1997
	£	£
Taxation	21,111	19,750
Other Creditors	<u>41</u>	<u>-</u>
	<u>21,152</u>	<u>19,750</u>
	=====	=====

8. Creditors: amounts falling due after one year

	1998	1997
	£	£
Loans wholly repayable within 5 years	604,597	155,036
	=====	=====

9. Share Capital

	1998	1997
	£	£
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 (1997: 1,400,000) ordinary shares of £1 each	<u>1,723,132</u>	<u>1,400,000</u>

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

TIG SYNDICATE MANAGEMENT LIMITED

10. Profit and loss account

	1998	1997
	£	£
Opening balance	18,082	-
Profit for the year	<u>6,723</u>	<u>18,082</u>
Closing balance	<u>24,805</u>	<u>18,082</u>
	=====	=====

11. Parent Undertakings

The immediate parent is TIG Holdings UK Limited, a company incorporated in Great Britain and the ultimate parent at December 31, 1998 was TIG Holdings, Inc., a company incorporated in the USA.

On December 3, 1998 TIG Holdings, Inc. entered into an agreement with Fairfax Financial Holdings Limited ("Fairfax") pursuant to which Fairfax would acquire TIG Holdings, Inc. by means of a merger. This agreement was subject (amongst other things) to approval by a majority of TIG Holdings, Inc.'s outstanding common stock and certain regulatory approvals. The merger was declared unconditional on April 13, 1999. Following completion of the merger Fairfax is the ultimate parent.

Consent to Fairfax becoming a controller of TIG Syndicate Management Limited and TIG Corporate Name (No.1) Limited has been granted by Lloyd's.