

NEWLINE

UNDERWRITING MANAGEMENT LTD

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REPORT AND ACCOUNTS

DECEMBER 31, 2000



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NEWLINE UNDERWRITING MANAGEMENT LIMITED

ANNUAL REPORT AND ACCOUNTS

DECEMBER 31, 2000

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, 2000.

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 £50m for the 2000 year of account (1999: £25m).

Fairfax, the ultimate parent company, 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 the Company now also provides management services to other group companies, primarily 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 cash balances held. The loss for the period after taxation amounted to £8,634 (1999 loss £55,437). No dividends have been paid or proposed during the period.

Directors

The Directors listed below have held office from January 1, 2000 to the date of this report unless otherwise stated.

NAME	DATE OF APPOINTMENT	DATE OF RESIGNATION
A A Barnard		
S T Fradd	January 31, 2001	
S L Gordon	September 18, 2000	
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		

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

NEWLINE UNDERWRITING MANAGEMENT LIMITED

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 financial statements 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 financial statements 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.

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.

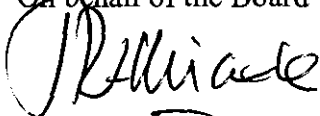
Elective Resolution

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.

Auditors

The Company auditors are PricewaterhouseCoopers. A resolution proposing their reappointment will be submitted at the Annual General Meeting.

On behalf of the Board



J R F Micklem

Director

May 22, 2001

NEWLINE UNDERWRITING MANAGEMENT LIMITED

REPORT OF THE AUDITORS

to the member of Newline Underwriting Management Limited

We have audited the financial statements on pages 5 to 11.

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

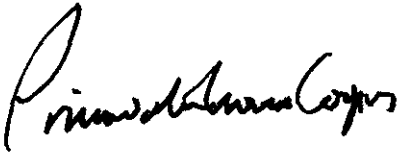
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 as at December 31, 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

May 22, 2001 

NEWLINE UNDERWRITING MANAGEMENT LIMITED

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2000

	Notes	2000 £	1999 £
TURNOVER		-	-
Administrative expenses	1c	<u>(25,000)</u>	<u>(85,840)</u>
Operating result		(25,000)	(85,840)
Interest payable		-	-
Bank interest receivable		<u>16,366</u>	<u>16,160</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>(8,634)</u>	<u>(69,680)</u>
Taxation	3	<u>(0)</u>	<u>(14,243)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(8,634)</u>	<u>(55,437)</u>
Dividends		-	-
Retained loss for the year		<u>£ (8,634)</u>	<u>£ (55,437)</u>

The company's turnover and expenses all relate to 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 7 to 11 form part of these accounts.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Opening shareholders' funds	1,692,500	1,747,937
Loss for the year	(8,634)	(55,437)
Capital introduced	-	-
Closing shareholders' funds	<u>1,683,866</u>	<u>1,692,500</u>

NEWLINE UNDERWRITING MANAGEMENT LIMITED

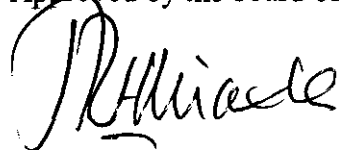
BALANCE SHEET

DECEMBER 31, 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	5	96,468	57,939
CURRENT ASSETS			
Debtors	6	1,900,081	2,082,483
Cash at bank and in hand		<u>190,226</u>	<u>244,833</u>
		2,090,307	2,327,316
CREDITORS: amounts falling due within one year	7	<u>86,999</u>	<u>25,840</u>
NET CURRENT ASSETS		2,003,308	2,301,476
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,099,776</u>	<u>2,359,415</u>
CREDITORS: amounts falling due after one year	8	415,910	666,915
NET ASSETS		<u>1,683,866</u>	<u>1,692,500</u>
CAPITAL AND RESERVES			
Called up share capital	9	1,723,132	1,723,132
Profit and loss account	10	<u>(39,266)</u>	<u>(30,632)</u>
TOTAL SHAREHOLDERS' FUNDS		<u>1,683,866</u>	<u>1,692,500</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 22, 2001



J R F Micklem
Director

The notes on pages 7 to 11 form part of these accounts.

NEWLINE UNDERWRITING MANAGEMENT LIMITED

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 £3,700,000 (1999: £1,100,000) was incurred and recharged to the managed syndicate during the year. In addition, £264,000 (1999: £22,000) 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. Loss on ordinary activities before taxation

	2000	1999
	£	£

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

Auditors' remuneration	1,000	1,000
Depreciation	64,918	52,395

3. Taxation on Loss on ordinary activities

	2000	1999
	£	£
Taxation charge/(credit) for the year	0	(14,397)
Under-provision for the previous year	<u>0</u>	<u>154</u>
	<u>0</u>	<u>(14,243)</u>

4. Directors' emoluments

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

	2000	1999
	£	£
Emoluments	318,000	335,200
Contributions to pension schemes	<u>29,000</u>	<u>28,500</u>
Total Emoluments	<u>347,000</u>	<u>363,700</u>

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

Emoluments	185,000	198,200
Contributions to pension schemes	18,500	18,000

During the year the Company made contributions to defined contribution pension schemes on behalf of 3 (1999:2) directors.

NEWLINE UNDERWRITING MANAGEMENT LIMITED

5. Tangible fixed assets

	Short Leaseholds £	Computer Equipment £	Office Equipment £	Furniture, Fixtures and Fittings £	Total £
Cost or valuation:					
1 January 2000	42,651	120,881	1,555	58,751	223,838
Additions	Nil	99,324	Nil	4,123	103,447
Disposals	Nil	Nil	Nil	Nil	Nil
31 December 2000	<u>42,651</u>	<u>220,205</u>	<u>1,555</u>	<u>62,874</u>	<u>327,285</u>
Depreciation:					
At 1 January 2000	42,651	89,553	1,555	32,140	165,899
Charge for the year	<u>Nil</u>	<u>52,343</u>	<u>Nil</u>	<u>12,575</u>	<u>64,918</u>
31 December 2000	42,651	141,896	1,555	44,715	230,817
Net book value:					
31 December 2000	Nil	78,309	Nil	18,159	96,468
31 December 1999	Nil	31,328	Nil	26,611	57,939

NEWLINE UNDERWRITING MANAGEMENT LIMITED

6. Debtors

	2000	1999
	£	£
Amount due from Syndicate 1218	1,762,041	2,022,190
Other Debtors	<u>138,040</u>	<u>60,293</u>
	<u>1,900,081</u>	<u>2,082,483</u>

7. Creditors: amounts falling due within one year

	2000	1999
	£	£
Other Creditors	<u>86,999</u>	<u>25,840</u>

8. Creditors: amounts falling due after one year

	2000	1999
	£	£
Loan from a fellow subsidiary wholly repayable within 5 years	<u>415,910</u>	<u>666,915</u>

9. Share Capital

	2000	1999
	£	£
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 (1999: 1,723,132) ordinary shares of £1 each	<u>1,723,132</u>	<u>1,723,132</u>

NEWLINE UNDERWRITING MANAGEMENT LIMITED

10. Profit and loss account

	2000	1999
	£	£
Opening balance	(30,632)	24,805
Loss for the year	<u>(8,634)</u>	<u>(55,437)</u>
Closing balance	<u>(39,266)</u>	<u>(30,632)</u>

11. Related party transactions

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 is Fairfax Financial Holdings Limited, a company incorporated in Canada.

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