



REPORT AND ACCOUNTS

31 DECEMBER 2016

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COMPANY INFORMATION

AT 31 DECEMBER 2016

Incorporated in England

Number 3223686

DIRECTORS

J Christiansen
N D Duncan
S Kapur
R B Kastner
C A Overy
M Scales
J W J Spencer
M G Wacek
H J L Withinshaw

SECRETARY

H J L Withinshaw

REGISTERED OFFICE

Corn Exchange
55 Mark Lane
London
EC3R 7NE

BANKERS

Citibank
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

National Westminster Bank Plc
City of London Office
PO Box 12258
1 Princes Street
London
EC2R 8PA

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

STRATEGIC REPORT

AT 31 DECEMBER 2016

PRINCIPAL ACTIVITY

The principal activity of the Company is that of a Lloyd's managing agent responsible for the management of Newline Syndicate 1218. The capacity of Syndicate 1218 is 100% provided by Newline Corporate Name Limited, which had a capacity of £100m for the 2016 year of account (2015: £100m). The capacity for the 2017 year of account is £125m.

The Company also provides management services to other group companies, primarily Newline Insurance Company Limited and the London branch of Odyssey Reinsurance Company.

RESULTS AND BUSINESS REVIEW

The Company does not charge a fee for managing Syndicate 1218 or for providing management services to other group companies. Therefore the only income during the year has been the reimbursement of expenses incurred on behalf of other group companies, and investment income on cash balances and UK treasury bills held. The profit for the period amounted to £45,447 (2015: loss of £144,944). The Directors consider that both the level of business and the overall financial position at the end of the year were acceptable. No dividends have been paid or proposed during the period.

FUTURE DEVELOPMENTS

The Company will continue to provide management services to Syndicate 1218 and other group companies.

PRINCIPAL RISKS AND UNCERTAINTIES

The process of risk identification and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. All key risks identified have been fully documented and assessed. The control environment operating around these key risks is regularly reviewed to ensure that controls are operating effectively. The main risks and uncertainties to our business arise from:

- **Credit risk**

Credit risk is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. The key area where the Company is exposed to credit risk is with the reimbursement of expenses from related companies. Intercompany balances are monitored monthly, and settled on a quarterly basis.

- **Liquidity risk**

Liquidity risk is the risk that sufficient financial resources are not maintained to meet liabilities as they fall due. There are agreed limits on the minimum proportion of funds available to meet such calls. The duration of the investment portfolio takes account of the Company's liabilities, and cash flow is regularly monitored.

STRATEGIC REPORT

(CONTINUED)

- **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or external events other than those covered above. Many of the operational risks faced by the Company are the same as the Syndicate which has a detailed risk register and procedures for continuously monitoring the impact of such risks and the effectiveness of the controls in place to mitigate them in accordance with the agreed risk appetite.

KEY PERFORMANCE INDICATORS (“KPIs”)

Given the straightforward nature of the business, the Board are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board



S Kapur
Director
19 May 2017

DIRECTORS' REPORT

AT 31 DECEMBER 2016

The Directors of the Company present the Annual Report and Accounts of the Company for the year ended 31 December 2016.

FUTURE DEVELOPMENTS

Likely future developments in the business are discussed in the Strategic report.

DIVIDENDS

The directors do not recommend the payment of a final dividend (2015: £nil).

DIRECTORS

The Directors listed below have held office from 1 January 2016 to the date of this report unless otherwise stated.

J Christiansen
N D Duncan (appointed 16 June 2016)
S Kapur
R B Kastner
J R F Micklem (resigned 1 October 2016)
C A Overy
M Scales
J W J Spencer
M G Wacek
H J L Withinshaw (appointed 1 October 2016)

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

The Company Secretary is H J L Withinshaw.

Third-party indemnity providing cover for claims for actual or alleged acts, errors, omissions, misstatements, misleading statements, neglect or breach of duty in the rendering of professional services is in place for the above directors

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2016 of which the auditors are unaware; and
- each director has taken all steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Company auditors are aware of that information.

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.

DIRECTORS' REPORT (CONTINUED)

INDEPENDENT AUDITORS

The Company's independent auditors are PricewaterhouseCoopers LLP who have acted as auditors of the Company since 1999. Within the wider Newline group, there is a public interest entity with an external audit subject to tender for the 2017 year end, and mandatory rotation by 2025 under new EU rules on auditor rotation. On the recommendation of the Newline Underwriting Management Limited Audit Committee, the Board of the Company has agreed to put out to tender the external audit of the Company as part of the wider Newline group tender process.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 company and of the profit or loss of the company 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 United Kingdom Accounting Standards, including FRS 102 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



S Kapur
Director
19 May 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWLINE UNDERWRITING MANAGEMENT LIMITED

Report on the financial statements

Our opinion

In our opinion, Newline Underwriting Management Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit 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.

What we have audited

The financial statements, included within the Report and Accounts (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWLINE
UNDERWRITING MANAGEMENT LIMITED**
(CONTINUED)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

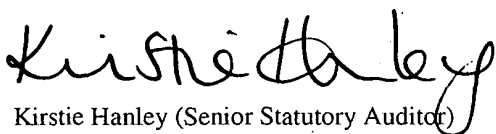
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Kirstie Hanley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 May 2017

PROFIT & LOSS ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	5	23,641,912	23,784,866
Operating expenses		(23,563,280)	(23,890,708)
OPERATING PROFIT / (LOSS)	6	78,632	(105,842)
Net unrealised (loss) / gain on investments	17	(5,002)	1,639
Net realised gains on investments	17	33,236	41,504
Interest payable and similar charges	17	(13,526)	(18,300)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		93,340	(80,999)
Tax (charge) on profit / (loss) on ordinary activities	7	(47,893)	(63,945)
OPERATING PROFIT / (LOSS) FOR THE YEAR		45,447	(144,944)

The Company's turnover and expenses all relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2016

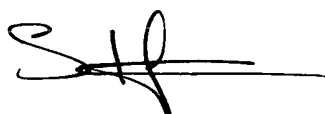
	2016 £	2015 £
Operating profit / (loss) for the financial year	45,447	(144,944)
Other comprehensive income	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	45,447	(144,944)

The notes on pages 12 to 23 form part of these accounts.

BALANCE SHEET
 AT 31 DECEMBER 2016
 Company number - 3223686

	Notes	2016 £	2015 £
FIXED ASSETS			
Intangible assets	11	3,751,415	4,570,259
Tangible assets	12	2,439,056	1,603,587
CURRENT ASSETS			
Debtors	13	3,442,324	5,978,764
Investments	18	6,994,832	7,985,750
Cash at bank and in hand		4,304,344	590,908
		<u>14,741,500</u>	<u>14,555,422</u>
CREDITORS: amounts falling due within one year	15	<u>4,546,398</u>	<u>4,376,567</u>
NET CURRENT ASSETS		10,195,102	10,178,855
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,385,573</u>	<u>16,352,701</u>
CREDITORS: amounts falling due after more than one year	16	197,672	210,247
NET ASSETS		<u>16,187,901</u>	<u>16,142,454</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,723,132	1,723,132
Profit and loss account		14,464,769	14,419,322
TOTAL SHAREHOLDER'S FUNDS		<u>16,187,901</u>	<u>16,142,454</u>

Approved on behalf of the board of directors on 19 May 2017.



S Kapur
 Director

The notes on pages 12 to 23 form part of these accounts.

STATEMENT OF CHANGES IN EQUITY
 AT 31 DECEMBER 2016

	Note	Called up share capital £	Retained earnings £	Total £
At 1 January 2015		1,723,132	14,564,266	16,287,398
(Loss) for the year		-	(144,944)	(144,944)
Total comprehensive income for the year		-	(144,944)	(144,944)
Credit relating to equity settled share based payments	9	-	915,109	915,109
Charge from parent for equity settled share based payments	9	-	(915,109)	(915,109)
Total transactions with owners, recognised directly in equity		-	-	-
At 31 December 2015		1,723,132	14,419,322	16,142,454
Profit for the year		-	45,447	45,447
Total comprehensive income for the year		-	45,447	45,447
Credit relating to equity settled share based payments	9	-	1,033,876	1,033,876
Charge from parent for equity settled share based payments	9	-	(1,033,876)	(1,033,876)
Total transactions with owners, recognised directly in equity		-	-	-
At 31 December 2016		1,723,132	14,464,769	16,187,901

The notes on pages 12 to 23 form part of these accounts.

NOTES TO THE ACCOUNTS

AT 31 DECEMBER 2016

1) GENERAL INFORMATION

The principal activity of the Company is that of a Lloyd's managing agent responsible for the management of Newline Syndicate 1218. The capacity of Syndicate 1218 is 100% provided by Newline Corporate Name Limited. The registered office is Corn Exchange, 55 Mark Lane, London, EC3R 7NE.

The Company also provides management services to other group companies, primarily Newline Insurance Company Limited and the London branch of Odyssey Reinsurance Company.

2) ACCOUNTING POLICIES

The individual financial statements of Newline Underwriting Management Limited ("NUML") have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

No cash flow statement is presented since FRS 102 exempts the Company from the requirement to do so as the consolidated financial statements of the ultimate parent of the Company, Fairfax Financial Holdings Limited, include a group cash flow statement.

The company has taken exemption from disclosing key management personnel compensation because it considers key management personnel to be the directors.

Where disclosure exemptions have been taken, the shareholder of the company has been notified in writing and does not object to the use of disclosure exemptions.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

NOTES TO THE ACCOUNTS
(CONTINUED)

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Turnover

The Company's turnover consists of the reimbursement of expenses from other group undertakings recharged to them in accordance with intercompany agreements.

b) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Assets under construction are initially valued at cost and are not amortised until in use.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

c) Tangible assets

Depreciation of tangible fixed assets is calculated using the straight line convention method 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 estimated useful lives are:

Computer equipment	3 – 5 years
Office equipment	5 years
Furniture, fittings & equipment	5 years
Leasehold property improvements	4 – 7 years

d) Taxation

Current tax is recognised for the amount of income tax payable on the taxable profit for the year or prior years, on the basis of tax rates and laws that have been enacted, or substantively enacted, by the period end.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

e) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, defined contribution pension plans and the Fairfax share scheme.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

NOTES TO THE ACCOUNTS

(CONTINUED)

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Share based remuneration

The company participates in a share based payment plan operated by its ultimate parent undertaking, Fairfax Financial Holdings Limited ("Fairfax"). Under the plan, certain key employees and directors who were employed by, or provided services to the Company were granted awards of restricted shares or options in Fairfax common stock. These awards typically vest over a period of three and seven years.

On granting of an award, Odyssey Reinsurance Company Limited ("ORC"), an intermediate parent company, purchases Fairfax common stock on the open market. The fair value of the award is based upon the market price at grant date and amortised to expense on a straight line basis over the vesting period. This expense is recharged by ORC to the Company on a quarterly basis. Any differences between the fair value of the award and the amount recharged by ORC are recorded as a capital contribution or a distribution within retained earnings.

g) Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

The aggregate benefit of lease incentives are recognised as a reduction to the lease expense, recognised over the term of the lease on a straight line basis.

h) Financial instruments

The Company has chosen to adopt the provisions of Sections 11 and 12 of FRS 102 in respect of the valuation of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables, cash at bank are initially recognised at transaction price.

Financial investments, including shares and other variable yield securities and units in unit trusts, debt and other fixed income securities are designated at fair value through profit and loss. Other receivables, including short term debtors arising out of direct insurance and reinsurance operations, are initially recognised at transaction price, less any impairment.

The fair value of financial investments at the balance sheet date are determined through quoted bid prices in an active market for identical instruments. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Company estimates the fair value by using a valuation technique.

Receivables are initially recognised at transaction price, and are reviewed for impairment as part of the impairment review of receivables. This basis of valuation is viewed by the Directors as having prudent regard to the likely realisable value.

ii) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with banks, other short term highly liquid investments with an original maturity date of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

iii) Financial liabilities

Basic financial liabilities, including trade and other payables, are measured at transaction price.

NOTES TO THE ACCOUNTS

(CONTINUED)

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Investment return

Investment return comprises all investment income, interest receivable and dividends received plus realised gains and losses on the disposal of investments and movements in unrealised gains and losses, net of investment expenses.

Realised gains and losses on investments carried at market value are calculated as the difference between net sale proceeds and purchase price. Investment expenses and charges comprise investment management expenses and losses on the realisation of investments.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price, or their valuation at the previous balance sheet date. The movement in unrealised gains and losses includes an adjustment for previously recognised unrealised gains and losses of those investments disposed of in the accounting period.

j) Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions.

4) SIGNIFICANT JUDGEMENTS AND ESTIMATES

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where judgements and estimates have been made include:

Assessment of intangible assets for potential impairment

Intangible assets are assessed annually for impairment or more frequently if there are potential indicators of impairment. In performing this assessment, management considers the remaining useful life of the asset, whether it has been superseded by other software, and taking into consideration future economic benefits to the income generating units of the group. See note 11 for the carrying amount of intangible assets, and note 3 b) for the useful economic lives for each class of asset.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of tangible assets, and note 3 c) for the useful economic lives for each class of asset.

Recoverability of deferred tax assets

In determining the recoverability of deferred tax assets, the company primarily considers current and expected profitability of applicable operating companies and their ability to utilize any recorded tax assets, taking into consideration the availability of sufficient current and projected taxable profits, reversals of taxable temporary differences and tax planning strategies.

NOTES TO THE ACCOUNTS
(CONTINUED)

5) TURNOVER

Expenditure recharged to other group undertakings in relation to salary and other overhead costs is as follows:

	2016 £	2015 £
Syndicate 1218	14,584,787	14,958,594
Odyssey Reinsurance Company	6,340,819	6,073,740
Newline Insurance Company Limited	1,922,932	2,004,006
Newline Corporate Name Limited	37,448	30,017
Newline Asia Services Pte Limited	672,394	662,855
Newline Australia Pty Limited	83,532	55,654
	<u>23,641,912</u>	<u>23,784,866</u>

6) OPERATING PROFIT / (LOSS)

	2016 £	2015 £
Operating profit / (loss) is stated after charging:		
Operating lease charges	307,021	790,687
Depreciation of tangible fixed assets	322,785	748,258
Amortisation of intangible fixed assets	1,025,501	621,381
Auditors' remuneration:		
- Audit services – Company audit fee	8,175	8,354
Foreign exchange (gain) / loss	<u>(110,110)</u>	<u>32,994</u>

NOTES TO THE ACCOUNTS
(CONTINUED)

7) TAXATION ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

a) Analysis of charge / (credit) for the period:

	2016 £	2015 £
Current taxation		
Current tax charge / (credit) on loss on ordinary activities	68,346	(54,988)
Adjustments in respect of prior periods	47,110	11,431
Current year trading losses available for Group relief	-	54,988
Current tax charge for the period	<u>115,456</u>	<u>11,431</u>
Deferred taxation		
Origination and reversal of timing differences	<u>(67,563)</u>	52,514
Deferred tax (credit) / charge for the period	<u>(67,563)</u>	<u>52,514</u>
Tax charge for the period	<u>47,893</u>	<u>63,945</u>

b) Factors affecting the tax charge for the period:

	2016 £	2015 £
Profit / (Loss) on ordinary activities before tax	<u>93,340</u>	<u>(80,999)</u>
UK corporation tax 20.0% (2015: 20.2%)	18,668	(16,362)
Tax effect of:		
Accelerated capital allowances and other timing differences	(45,897)	71,075
Adjustments in respect of prior periods	47,110	11,431
Expenses not deductible for tax purposes	28,012	(2,199)
Tax charge for the period	<u>47,893</u>	<u>63,945</u>

NOTES TO THE ACCOUNTS
 (CONTINUED)

8) EMPLOYEES AND STAFF COSTS

The average number of employees during the period was:

	2016 Number	2015 Number
Management	12	10
Underwriting	48	45
Claims	13	14
Information technology	5	5
Administration, finance and compliance	37	40
	<u>115</u>	<u>114</u>

The employment costs for the period were:

	2016 £	2015 £
Salaries	11,603,370	10,730,955
Social security costs	1,696,843	1,502,411
Pension costs	1,524,101	1,345,607
	<u>14,824,314</u>	<u>13,578,973</u>

Pension costs represent the Company's contributions to a Group Personal Pension Plan, which is on a defined contribution basis and maintained by Scottish Widows. Employees may, but are not obliged to, contribute to the scheme. The Company's contributions are paid one month in arrears, with an outstanding liability as at 31st December 2016 of £80,642 (2015: £601).

9) SHARE BASED REMUNERATION

The company participates in a share based payment plan operated by its ultimate parent undertaking, Fairfax Financial Holdings Limited ("Fairfax"). Under the plan, certain key employees and directors who were employed by, or provided services to the Company were granted awards of restricted shares or options in Fairfax common stock. These awards typically vest over a period of three and seven years.

On granting of an award, Odyssey Reinsurance Company Limited ("ORC"), an intermediate parent company, purchases Fairfax common stock on the open market. The fair value of the award is based upon the market price at grant date and amortised to expense on a straight line basis over the vesting period. This expense is recharged by ORC to the Company quarterly, this charge being attributable to the cost of shares relating to those employees of NUML. Any differences between the fair value of the award and the amount recharged by ORC are recorded as a capital contribution or a distribution within retained earnings.

	Number	Weighted average price £
Outstanding at 1 January 2016	14,948	295.64
Granted	3,048	342.52
Forfeited	689	299.71
Exercised	1,522	274.07
Outstanding at 31 December 2016	<u>15,785</u>	<u>338.11</u>
Exercisable at 31 December 2016	<u>1,440</u>	<u>273.81</u>

NOTES TO THE ACCOUNTS
 (CONTINUED)

9) SHARE BASED REMUNERATION (CONTINUED)

The charge to Newline Underwriting Management Limited during the year 2016 was £1,245,215 (2015: £915,109).

As at 31st December 2016 the outstanding liability to Newline Underwriting Management Limited was £nil (2015: £nil).

Any liability between Newline Underwriting Management Limited and Odyssey Re Holdings Corp. is settled on a quarterly basis.

10) DIRECTORS' EMOLUMENTS

The total emoluments paid to directors, before recharge to other group entities, during the year were:

	2016 £	2015 £
Emoluments	1,542,974	1,557,896
Contributions to pension schemes	255,090	104,683
Total Emoluments	<u>1,798,064</u>	<u>1,662,579</u>

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

	2016 £	2015 £
Emoluments	655,798	594,567
Contributions to pension schemes	32,600	34,000
Total Emoluments	<u>688,398</u>	<u>628,567</u>

During the year the Company made contributions to defined contribution pension schemes on behalf of six directors (2015: four).

NOTES TO THE ACCOUNTS
 (CONTINUED)

11) INTANGIBLE FIXED ASSETS

	Software £	Assets in construction £	Total £
Cost:			
January 1, 2016	5,301,794	-	5,301,794
Additions	179,694	26,963	206,657
December 31, 2016	5,481,488	26,963	5,508,451
Amortisation and impairment:			
January 1, 2016	731,535	-	731,535
Charge for the year	1,025,501	-	1,025,501
December 31, 2016	1,757,036	-	1,757,036
Net book value:			
January 1, 2016	4,570,259	-	4,570,259
December 31, 2016	3,724,452	26,963	3,751,415

Software and assets in construction include the company's underwriting system ("Synergy2"). The software was created and developed by an external company. Synergy2 in use and classified within software is carried at £3,724,452.44 (2015: £4,408,776) and has a remaining amortisation period of 3.5 years (2015: 4.5 years).

12) TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Computer Equipment £	Office Equipment £	Fixtures, Fittings and Equipment £	Assets in Construction £	Total £
Cost:						
January 1, 2016	1,670,159	697,094	138,765	553,874	1,284,960	4,344,852
Additions	2,097,544	88,159	28,903	228,608	(1,284,960)	1,158,254
December 31, 2016	3,767,703	785,253	167,668	782,482	-	5,503,106
Depreciation:						
January 1, 2016	1,670,159	397,489	124,903	548,714	-	2,741,265
Charge for the year	159,307	123,608	12,131	27,739	-	322,785
December 31, 2016	1,829,466	521,097	137,034	576,453	-	3,064,050
Net book value:						
January 1, 2016	-	299,605	13,862	5,160	1,284,960	1,603,587
December 31, 2016	1,938,237	264,156	30,634	206,029	-	2,439,056

Assets under construction relates to leasehold improvements at the company's new premises. Upon relocation, these were transferred to leasehold improvements and depreciated in accordance with our accounting policy.

NOTES TO THE ACCOUNTS
 (CONTINUED)

13) DEBTORS

	2016 £	2015 £
Amounts owed by group undertakings	2,651,933	4,498,486
Sundry debtors	<u>790,391</u>	<u>1,480,279</u>
	<u>3,442,324</u>	<u>5,978,764</u>

14) DEFERRED TAX

	2016 £	2015 £
The effect of trading losses available for Group relief	-	54,988
Accelerated capital allowances	<u>(197,672)</u>	<u>(265,235)</u>
Total deferred tax liability	<u>(197,672)</u>	<u>(210,247)</u>
Deferred tax liability at the start of the year	(210,247)	(49,743)
Deferred tax credit / (charge) in profit and loss account	67,563	(52,514)
Taxation effect of trading losses Group relieved	<u>(54,988)</u>	<u>(107,990)</u>
Deferred tax liability at the end of the year	<u>(197,672)</u>	<u>(210,247)</u>

15) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Taxation and social security	757,009	503,509
Other creditors	<u>3,789,389</u>	<u>3,873,058</u>
	<u>4,546,398</u>	<u>4,376,567</u>

16) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £	2015 £
Deferred tax liability (note 14)	<u>197,672</u>	<u>210,247</u>
	<u>197,672</u>	<u>210,247</u>

NOTES TO THE ACCOUNTS
(CONTINUED)

17) INVESTMENT INCOME

	2016 £	2015 £
Income receivable and similar income		
Net unrealised (loss) / gain on investments	(5,002)	1,639
Net realised gains on investments	<u>33,236</u>	<u>41,504</u>
	<u>28,234</u>	<u>43,143</u>
Interest payable and similar charges		
Investment management expenses, including charges	<u>(13,526)</u>	<u>(18,300)</u>

18) INVESTMENTS

	2016 £ Fair value	2015 £ Fair value	2016 £ Cost	2015 £ Cost
Debt securities and other fixed income securities	<u>6,994,832</u>	<u>7,985,750</u>	<u>6,994,014</u>	<u>7,979,930</u>

19) SHARE CAPITAL

	2016 £	2015 £
Allotted and fully paid 2016: 1,723,132 ordinary shares of £1 each (2015: 1,723,132)	<u>1,723,132</u>	<u>1,723,132</u>

NOTES TO THE ACCOUNTS
 (CONTINUED)

20) FINANCIAL INSTRUMENTS

The Company has the following financial instruments:

	2016 £	2015 £
<i>Financial assets</i>		
Amounts owed by group undertakings	2,651,933	4,498,486
Sundry debtors	164,284	133,975
Debt securities and other fixed income securities	6,994,832	7,985,750
Cash at bank and in hand	4,304,344	590,908
	<u>14,115,393</u>	<u>13,209,119</u>
<i>Financial liabilities</i>		
Taxation and social security	757,009	503,509
Other creditors	3,789,389	3,873,059
	<u>4,546,398</u>	<u>4,376,568</u>

The valuation of debt securities and other fixed income securities measured at fair value through profit or loss is determined through quoted bid prices in an active market for identical instruments.

21) RELATED PARTY TRANSACTIONS

As permitted by FRS 102 the Company has taken advantage of the exemption from disclosure of transactions with other group companies.

Mr. J Spencer, a non-executive director of the Company was until 30th September 2016, also a non-executive director of Thompson Heath & Bond Limited ("THB"). In 2016, THB placed £632,000 (2015: £742,000) of gross written premiums with Syndicate 1218, and £120,000 (2015: £285,000) of gross written premiums with Newline Insurance Company Limited, both on an arm's length basis. Mr. J Spencer during 2016 became a non-executive director of Markel Syndicate Management Limited and Markel International Insurance Company Limited. In 2016, outwards premiums were placed with companies associated with the Markel Group on an arm's length basis; Syndicate 1218 placing premiums of £0.1m, and Newline Insurance Company Limited placing premiums of £0.4m. At the year end, £0.2m was due on recoveries to Syndicate 1218, and £nil due on recoveries to Newline Insurance Company Limited.

Mr. M Scales, a non-executive director of the Company, is also a non-executive director of Talbot Underwriting Limited ("Talbot"). In 2016, Talbot placed £90,000 (2015: £nil) of gross written premiums with Syndicate 1218, on an arm's length basis.

22) ULTIMATE PARENT UNDERTAKING

The immediate parent of the Company is Newline Holdings UK Limited ("NHUKL"), a company incorporated in Great Britain. NHUKL is a wholly owned subsidiary of Odyssey Reinsurance Company ("ORC") part of the Odyssey Re Group. The ultimate parent is Fairfax Financial Holdings Limited ("Fairfax"), a company incorporated in Canada. ORC and Fairfax are the smallest and largest group undertakings in which the Company is consolidated. Group accounts for ORC and Fairfax are available from the company secretary of NHUKL, Corn Exchange, 55 Mark Lane, London, EC3R 7NE.