



## REPORT AND ACCOUNTS

*31 DECEMBER 2014*

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**COMPANY INFORMATION**  
*AT 31 DECEMBER 2014*

Incorporated in England

Number 3223686

**DIRECTORS**

J Christiansen  
S Kapur  
R B Kastner  
J R F Micklem  
C A Overy  
M Scales  
J W J Spencer  
M G Wacek

**SECRETARY**

J R F Micklem

**REGISTERED OFFICE**

Suite 5/4,  
The London Underwriting Centre  
3 Minster Court, Mincing Lane  
London  
EC3R 7DD

**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 2014*

### **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 £105m for the 2014 year of account (2013: £105m). The capacity for the 2015 year of account is £100m.

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 £88,051 (2013: loss of £388,034). 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 will be managed to approximate to the Company's liabilities, and cash flow is regularly monitored.

- **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.

**STRATEGIC REPORT**  
*(CONTINUED)*

**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



**J R F Micklem**  
*Director*  
5 May 2015

## **DIRECTORS' REPORT**

*AT 31 DECEMBER 2014*

The Directors of the Company present the Annual Report and Accounts of the Company for the year ended 31 December 2014.

### **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 (2013: £nil).

### **DIRECTORS**

The Directors listed below have held office from 1 January 2014 to the date of this report unless otherwise stated.

J Christiansen  
P T Foley (resigned 20<sup>th</sup> March 2014)  
S Kapur  
R B Kastner  
J R F Micklem  
C A Overy  
M Scales  
J W J Spencer  
M G Wacek

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

The Company Secretary is J R F Micklem.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing 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, subject to changes arising on the adoption of new accounting standards in the year;
- 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors confirm they have complied with the above requirements in preparing the financial statements.

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 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.

**DIRECTORS' REPORT**  
*(CONTINUED)*

**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 2014 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.

**INDEPENDENT AUDITORS**

The Company's independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution proposing their reappointment will be submitted at the annual general meeting.

On behalf of the Board



**J R F Micklem**  
*Director*  
5 May 2015

## **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 2014 and of its profit and cash flows 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*

Newline Underwriting Management Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account 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 applicable law and United Kingdom Accounting Standards (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, 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.

### **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.

#### *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.



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

*(CONTINUED)*

### **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 5, 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*

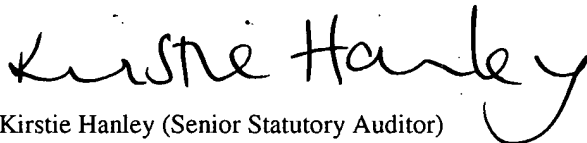
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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



Kirstie Hanley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
5 May 2015

**PROFIT & LOSS ACCOUNT**  
 FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
<b>Turnover</b>	3	19,185,118	19,396,415
Operating expenses		(19,337,495)	(19,510,044)
<b>OPERATING LOSS</b>	4	<u>(152,377)</u>	<u>(113,629)</u>
Investment income	14	-	13
Net unrealised gains / (losses) on investments	14	685	(3,476)
Net realised gains on investments	14	32,730	32,905
Interest payable and similar charges	14	114,997	(214,472)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(3,965)</u>	<u>(298,659)</u>
Tax credit / (charge) on loss on ordinary activities	5	92,016	(89,375)
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<u><b>88,051</b></u>	<u><b>(388,034)</b></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. There is no difference between the retained loss for the year shown above and that on a historical cost basis.

The notes on pages 11 to 18 form part of these accounts.

**BALANCE SHEET**

AT 31 DECEMBER 2014

Company number - 3223686

	Notes	2014 £	2013 £
<b>FIXED ASSETS</b>			
Tangible assets	9	3,824,699	1,727,923
<b>CURRENT ASSETS</b>			
Debtors	10	2,227,470	2,823,795
Investments	15	9,582,720	10,003,380
Cash at bank and in hand		1,452,086	2,252,102
		<u>13,262,276</u>	<u>15,079,277</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>749,834</u>	<u>607,853</u>
<b>NET CURRENT ASSETS</b>		<b>12,512,442</b>	<b>14,471,424</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>16,337,141</u>	<u>16,199,347</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	49,743	-
<b>NET ASSETS</b>		<u>16,287,398</u>	<u>16,199,347</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	1,723,132	1,723,132
Profit and loss account	17	14,564,266	14,476,215
<b>TOTAL SHAREHOLDER'S FUNDS</b>	18	<u>16,287,398</u>	<u>16,199,347</u>

Approved on behalf of the board of directors on 5 May 2015.



**J R F Micklem**  
*Director*

The notes on pages 11 to 18 form part of these accounts.

## **NOTES TO THE ACCOUNTS**

### **AT 31 DECEMBER 2014**

#### **1) BASIS OF ACCOUNTING**

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The Company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 (revised) on the grounds that it is a wholly owned subsidiary and the ultimate parent company, Fairfax Financial Holdings Limited ("Fairfax"), produces consolidated accounts including a group cash flow statement.

#### **2) ACCOUNTING POLICIES**

A summary of the significant accounting policies is set out below. These policies have been consistently applied unless otherwise stated.

##### ***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) Depreciation***

Depreciation of tangible fixed assets is calculated using the straight line half-year 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. Assets under construction are valued at cost and are not depreciated until in use.

The estimated useful lives are:

Computer equipment	3 – 5 years
Office equipment	5 years
Furniture, fittings & equipment	5 years
Leasehold property improvements	4 – 6 years

##### ***c) Deferred taxation***

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax assets are recognised to the extent that they are regarded as more likely than not recoverable.

Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

##### ***d) Share based remuneration***

Prior to 22<sup>nd</sup> October 2009, Odyssey Re Holdings Corp. ("ORH"), of which the Company is a subsidiary, operated a restricted share plan, which provided for the grant of restricted shares of common stock to employees. On 21<sup>st</sup> October 2009 Fairfax became the sole shareholder of ORH, and the plan was revised to a Restricted Share and Equity Value plan. Under this plan, each Restricted Equity Value Right ("REVR") has a fair value equal to the total shareholders' equity of ORH attributable to the common equity as of the last day of the most recent completed quarter, divided by 58,443,149 (which is the number of common shares outstanding as at 30<sup>th</sup> September 2009). Upon vesting, the participant automatically receives a single sum cash payment equal to the REVR value, less any applicable withholding taxes. The fair value of REVRs is amortised to compensation expense on a straight line basis over their related vesting period. The fair value of any REVRs granted at the start of the scheme is re-measured at each reporting date until settled. Changes in fair value are recognised in the profit and loss account.

## NOTES TO THE ACCOUNTS (CONTINUED)

### 2) ACCOUNTING POLICIES (CONTINUED)

#### *e) Financial investments*

Listed and other traded investments are stated at market value on the balance sheet date using the bid price. Unrealised gains and losses are recognised in the profit and loss account.

#### *f) 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.

### 3) TURNOVER

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

	2014 £	2013 £
Syndicate 1218	12,756,110	12,112,555
Odyssey Reinsurance Company	5,070,533	5,202,290
Newline Insurance Company Limited	1,297,610	1,919,805
Newline Corporate Name Limited	52,642	143,890
Newline Asia Services Pte Limited	7,104	15,689
Newline Australia Pty Limited	1,119	2,186
	<u>19,185,118</u>	<u>19,396,415</u>

### 4) OPERATING LOSS

	2014 £	2013 £
Operating loss is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	529,926	461,881
Auditors' remuneration:		
- Audit services – Company audit fee	7,210	7,000
	<u>7,210</u>	<u>7,000</u>

**NOTES TO THE ACCOUNTS**  
 (CONTINUED)

**5) TAXATION ON PROFIT ON ORDINARY ACTIVITIES**
**a) Analysis of credit for the period:**

	2014 £	2013 £
<b>Current taxation</b>		
Current tax credit on loss on ordinary activities	(107,990)	(60,123)
Adjustments in respect of prior periods	(91,620)	-
Current year losses carried forward	107,990	60,123
Current tax charge for the period	<u>(91,620)</u>	<u>-</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(396)	(72,634)
Adjustments in respect of prior periods	-	162,009
Deferred tax (credit) / charge for the period	<u>(396)</u>	<u>89,375</u>
Tax (credit) / charge for the period	<u>(92,016)</u>	<u>89,375</u>

**b) Factors affecting the tax (credit) / charge for the period:**

	2014 £	2013 £
Loss on ordinary activities before tax	<u>(3,965)</u>	<u>(298,659)</u>
UK corporation tax 21.5% (2013: 23.3%)	(852)	(69,438)
Tax effect of:		
Accelerated capital allowances and other timing differences	(107,138)	9,315
Adjustments in respect of prior period	(91,620)	-
Current year losses carried forward	107,990	60,123
Current tax credit for the period (note 5(a))	<u>(91,620)</u>	<u>-</u>

## NOTES TO THE ACCOUNTS

(CONTINUED)

### 6) EMPLOYEES AND STAFF COSTS

The average number of employees during the period was:

	2014 Number	2013 Number
Management	9	9
Underwriting	41	41
Claims	14	13
Information technology	5	5
Administration, finance and compliance	38	38
	<u>107</u>	<u>106</u>

The employment costs for the period were:

	2014 £	2013 £
Salaries	10,868,745	9,792,891
Social security costs	1,446,424	1,298,828
Pension costs	1,046,367	959,804
	<u>13,361,536</u>	<u>12,051,523</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 31<sup>st</sup> December 2014 of £82,778 (2013: £92,991).

### 7) RESTRICTED STOCK PAYMENTS

#### Restricted Equity Value Rights ("REVR")

The fair value of new and existing awards is amortised to compensation expense on a straight line basis over the related vesting periods. The Company's measurement of changes to the fair value of any REVRs granted at the start of the scheme for the purposes of the amortisation charge and any additional costs will be reflected in the accounts of the company. No REVRs were granted during 2014.

The following table summarises the REVR activity in 2014:

	No. of REVR units	Weighted average price (£)
REVR units awarded as of 31 <sup>st</sup> December 2013	1,785	24.11
Granted	-	-
Vested	(1,785)	24.11
Forfeited	-	-
REVR units outstanding as of 31 <sup>st</sup> December 2014	-	-

**NOTES TO THE ACCOUNTS**  
 (CONTINUED)

**7) RESTRICTED STOCK PAYMENTS (CONTINUED)**

The charge to Newline Underwriting Management Limited during the year 2014 was £16,049 (2013: £3,108).

As at 31<sup>st</sup> December 2014 the outstanding liability to Newline Underwriting Management Limited was £nil (2013: £16,694). Prior to the inception of the REVR scheme, the Company had no outstanding liabilities for restricted stock payments as all such liabilities were recognised in the accounts of Odyssey Re Holdings Corp.

Any liability between Newline Underwriting Management Limited and Odyssey Re Holdings Corp. is settled on a quarterly basis. Therefore there is no long term obligation between the companies.

**8) DIRECTORS' EMOLUMENTS**

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

	2014 £	2013 £
Emoluments	1,682,182	1,494,658
Contributions to pension schemes	152,785	291,370
Total Emoluments	<u>1,834,967</u>	<u>1,786,028</u>

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

	2014 £	2013 £
Emoluments	556,074	519,949
Contributions to pension schemes	39,444	38,138
Total Emoluments	<u>595,518</u>	<u>558,087</u>

During the year the Company made contributions to defined contribution pension schemes on behalf of five directors (2013: five).



**NOTES TO THE ACCOUNTS**  
 (CONTINUED)

**9) TANGIBLE FIXED ASSETS**

	Leasehold Improvements £	Computer Equipment £	Office Equipment £	Fixtures, Fittings and Equipment £	Assets in construction £	Total £
<b>Cost:</b>						
January 1, 2014	1,655,016	510,345	138,765	553,874	443,158	3,301,158
Additions	15,143	1,116,207	-	-	1,495,352	2,626,702
December 31, 2014	<b>1,670,159</b>	<b>1,626,552</b>	<b>138,765</b>	<b>553,874</b>	<b>1,938,510</b>	<b>5,927,860</b>
<b>Depreciation:</b>						
January 1, 2014	761,027	258,581	106,417	447,210	-	1,573,235
Charge for the year	328,699	152,007	9,243	39,977	-	529,926
December 31, 2014	<b>1,089,726</b>	<b>410,588</b>	<b>115,660</b>	<b>487,187</b>	<b>-</b>	<b>2,103,161</b>
<b>Net book value:</b>						
January 1, 2014	893,989	251,764	32,348	106,664	443,158	1,727,923
December 31, 2014	<b>580,433</b>	<b>1,215,964</b>	<b>23,105</b>	<b>66,687</b>	<b>1,938,510</b>	<b>3,824,699</b>

**10) DEBTORS**

	2014 £	2013 £
Amounts owed by group undertakings	1,515,561	2,088,804
Deferred tax asset (note 11)	-	9,984
Sundry debtors	711,909	725,007
	<b>2,227,470</b>	<b>2,823,795</b>
Amounts falling due after more than one year included in the above are:		
Deferred tax asset	-	9,984

**11) DEFERRED TAX**

	2014 £	2013 £
Trading losses available for Group relief	107,990	60,123
Accelerated capital allowances	(157,733)	(50,139)
Total deferred tax (liability) / asset	<b>(49,743)</b>	<b>9,984</b>
Deferred tax asset at the start of the year		
Deferred tax credit / (charge) in profit and loss account	396	(89,375)
Taxation effect of trading losses Group relieved	(60,123)	(5,706)
Deferred tax (liability) / asset at the end of the year	<b>(49,743)</b>	<b>9,984</b>

**NOTES TO THE ACCOUNTS**  
 (CONTINUED)

**12) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2014 £	2013 £
Taxation and social security	310,881	298,920
Other creditors	438,953	308,933
	<u>749,834</u>	<u>607,853</u>

**13) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2014 £	2013 £
Deferred tax liability (note 11)	49,743	-
	<u>49,743</u>	<u>-</u>

**14) INVESTMENT INCOME**

	2014 £	2013 £
<b>Income receivable and similar income</b>		
Interest income from financial investments	-	13
Net unrealised gains / (losses) on investments	685	(3,476)
Net realised gains on investments	32,730	32,905
	<u>33,415</u>	<u>29,442</u>
<b>Interest payable and similar charges</b>		
Investment management expenses, including charges	114,997	(214,472)
	<u>114,997</u>	<u>(214,472)</u>

**15) INVESTMENTS**

	2014 £ Market value	2013 £ Market value	2014 £ Cost	2013 £ Cost
Debt securities and other fixed income securities	<u>9,582,720</u>	<u>10,003,380</u>	<u>9,578,539</u>	<u>9,999,884</u>

**NOTES TO THE ACCOUNTS**  
 (CONTINUED)

**16) SHARE CAPITAL**

	2014 £	2013 £
Authorised 3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>
Allotted, called up and fully paid 2014: 1,723,132 ordinary shares of £1 each (2013: 1,723,132)	<u>1,723,132</u>	<u>1,723,132</u>

**17) PROFIT AND LOSS ACCOUNT**

	2014 £	2013 £
Opening balance	14,476,215	14,864,249
Profit for the year	<u>88,051</u>	<u>(388,034)</u>
Closing balance	<u>14,564,266</u>	<u>14,476,215</u>

**18) RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	2013 £	2013 £
Opening shareholder's funds	16,199,347	16,587,381
Profit for the year	<u>88,051</u>	<u>(388,034)</u>
Closing shareholder's funds	<u>16,287,398</u>	<u>16,199,347</u>

**19) 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.

Mr. J Spencer, a non-executive director of the Company is also a non-executive director of Thompson Heath & Bond Limited ("THB"). In 2014, THB placed £557,000 (2013: £866,000) of gross written premiums with Syndicate 1218, and £301,000 (2013: £640,000) with Newline Insurance Company Limited on an arm's length basis.

**20) 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, Suite 5/4, The London Underwriting Centre, 3 Minster Court, Mincing Lane, London, EC3R 7DD.