

COMPANY NO. 3253305

REGISTERED OFFICE: Park Gate, 161-163 Preston Road, Brighton, BN1 6AU

# **RiverStone Managing Agency Limited**

## **2014 Annual Report**

**RiverStone Managing Agency Limited (Company No. 3253305)**  
**Annual Report**  
**For the year ended 31<sup>st</sup> December 2014**

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**RiverStone Managing Agency Limited (Company No. 3253305)**  
**Directors and Administration**  
**For the year ended 31<sup>st</sup> December 2014**

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**Directors**

N. C. Bentley – Director  
W. F. Goodier - Independent Non-Executive Chairman  
L. A. Hemsley - Finance Director  
A. J. Masterson – Independent Non-Executive Director  
L. R. Tanzer – Managing Director

**Company Secretary**

F. Henry

**Registered Office**

Park Gate  
161-163 Preston Road  
Brighton  
BN1 6AU

**Independent Auditors**

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

# **RiverStone Managing Agency Limited (Company No. 3253305)**

## **Directors' Report**

### **For the year ended 31<sup>st</sup> December 2014**

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The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Managing Agency Limited (Company No. 3253305) ("RiverStone Managing Agency") for the year ended 31<sup>st</sup> December 2014. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

#### **Ownership**

RiverStone Managing Agency is a wholly owned subsidiary of RiverStone Holdings Limited ("RiverStone Holdings") which is registered in England and Wales. The ultimate parent company is Fairfax Financial Holdings Limited ("Fairfax") which is registered in Canada and listed on the Toronto Stock Exchange. The registered office of Fairfax is 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada M5J 2N7.

#### **Principal Activities and Business Review**

RiverStone Managing Agency is a Lloyd's Managing Agent, appointed by RiverStone Corporate Capital Limited to manage Syndicate 3500. RiverStone Corporate Capital Limited is the sole corporate member of Syndicate 3500.

Syndicate 3500 was originally formed for the purpose of accepting the reinsurance to close of the 2000 and prior years of account of Syndicate 271 and the 2001 and prior years of account of Syndicate 506, respectively. As a consequence of reinsurance arrangements entered into immediately prior to the formation of Syndicate 3500, its liabilities related to Syndicate 271 and Syndicate 506 are fully reinsured by RiverStone Insurance (UK) Limited ("RiverStone Insurance (UK)").

In 2011, Syndicate 3500 accepted the reinsurance to close of the liabilities of Syndicate 376, a runoff syndicate with underwriting years of 2001 and prior, and also entered into a reinsurance protection agreement with RiverStone Insurance (UK) to reinsure 50% of the liabilities that were transferred from Syndicate 376.

Effective 1<sup>st</sup> January 2012, the following transactions occurred resulting in the transfer of additional liabilities into a new 2012 year of account of Syndicate 3500:

Syndicate 3500 accepted the reinsurance to close of the liabilities of Syndicate 2112. Syndicate 2112 has unlimited protection for all of its remaining liabilities under a reinsurance protection agreement with RiverStone Insurance (UK).

Syndicate 3500 accepted the reinsurance to close of the liabilities of Syndicate 3330 (formerly and now referred to as Syndicate 2), a runoff syndicate with underwriting years of 2002 and prior. This syndicate primarily wrote marine and aviation business, within which the major losses are related to World Trade Centre and Erika.

Syndicate 3500 entered into a transaction to accept the novation of the contracts under which the 2001 and prior years of Syndicate 535 and the 1999 and prior years of Syndicate 1204 were previously closed into Centrewrite Limited. These syndicates primarily wrote engineering and liability business.

Also effective 1<sup>st</sup> January 2012, Syndicate 3500 entered into reinsurance protection agreements with RiverStone Insurance to reinsure all of the liabilities that have been transferred from Syndicates 3330, 535 and 1204, and to increase the reinsurance of liabilities related to Syndicate 376 from 50% to 100%. As a result of these transactions all of Syndicate 3500's liabilities are fully reinsured by RiverStone Insurance (UK).

The capital support for Syndicate 3500 is provided through RiverStone Insurance (UK).

# **RiverStone Managing Agency Limited (Company No. 3253305)**

## **Directors' Report**

### **For the year ended 31<sup>st</sup> December 2014**

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RiverStone Managing Agency delegates most of its day-to-day management functions under an outsource agreement with RiverStone Management Limited ("RiverStone Management"), a fellow subsidiary of RiverStone Holdings. Provision of services under this agreement is monitored by regular reporting to the Board of directors of RiverStone Managing Agency ("the Board"), which includes analysis of performance against key performance indicators.

RiverStone Managing Agency has made continued progress throughout 2014 in relation to key elements of its strategy.

The Board monitors the progress of Syndicate 3500 by particular reference to the reduction in gross loss reserves and reduction in reinsurance recoverables, in a timely and economic manner. During the year, gross loss reserves fell by 17% and third party reinsurance recoverables (excluding group reinsurance protection from RiverStone Insurance (UK)) decreased by 17%.

The Board regards the performance in respect of Syndicate 3500 as satisfactory.

#### ***Results and Dividends***

The result for the financial year amounted to nil (2013: nil). The Directors do not recommend the payment of dividend (2013: nil).

RiverStone Managing Agency recharges all of its net operating costs to the syndicate under its management. RiverStone Managing Agency's affiliate, RiverStone Insurance (UK), has provided a guarantee of up to £1 million in support of RiverStone Managing Agency's solvency. Additionally, RiverStone Managing Agency has received a letter of support from RiverStone Holdings, whereby funds will be made available to RiverStone Managing Agency to ensure liabilities are met as they fall due for payment.

#### ***Strategy and Future Outlook***

The Board's strategy for Syndicate 3500, which is the only syndicate under its management, is the efficient and economic management of all existing liabilities. The Board intends to continue to actively pursue opportunities to reinsure-to-close further run-off portfolios into Syndicate 3500.

In the event that further reinsurance to close transactions do not materialise in the future, and depending on the level of uncertainty surrounding the remaining reserves, the Board will develop a strategy for the closure of Syndicate 3500 by way of a reinsurance-to-close of the remaining liabilities.

#### **Directors**

Directors holding office during the period from 1<sup>st</sup> January 2014 to the date of this report were as follows:

N. C. Bentley – Director  
W. F. Goodier – Independent Non-Executive Chairman  
L. A. Hemsley – Finance Director  
A. J. Masterson – Independent Non-Executive Director  
L. R. Tanzer – Managing Director

RiverStone Managing Agency has provided an indemnity for its directors which is a qualifying third party indemnity provision for the purposes of Section 234 of the Companies Act 2006. This indemnity was in force during the financial year and also at the date of this report.

# **RiverStone Managing Agency Limited (Company No. 3253305)**

## **Directors' Report**

### **For the year ended 31<sup>st</sup> December 2014**

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#### **Directors' Responsibilities Statement**

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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Statement of Disclosure of Information to Auditors**

The Company's auditors are PricewaterhouseCoopers LLP. Each person who is a Director at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31<sup>st</sup> December 2014 of which the auditors are unaware; and
- the Director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board



Park Gate  
161-163 Preston Road  
Brighton, BN1 6AU

**F. Henry**  
Company Secretary  
> March 2015

**RiverStone Managing Agency Limited (Company No. 3253305)**  
**Independent Auditors' Report to the Members of RiverStone Managing Agency Limited**  
**For the year ended 31<sup>st</sup> December 2014**

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**Report on the financial statements**

*Our opinion*

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> December 2014 and of its result 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

This opinion is to be read in the context of what we say in the remainder of this report.

*What we have audited*

The financial statements, which are prepared by RiverStone Managing Agency Limited, comprise:

- the balance sheet as at 31<sup>st</sup> 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

The financial reporting framework that has been applied in their preparation 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.

*What an audit of financial statements involves*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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

In addition, we read all the financial and non-financial information in the annual report 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.

**RiverStone Managing Agency Limited (Company No. 3253305)**  
**Independent Auditors' Report to the Members of RiverStone Managing Agency Limited**  
**For the year ended 31<sup>st</sup> December 2014**

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**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in 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.

**Responsibilities for the financial statements and the audit**

*Our responsibilities and those of the directors*

As explained more fully in the Directors' Responsibilities Statement 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 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.



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



**RiverStone Managing Agency Limited (Company No. 3253305)**  
**Profit and Loss Account**  
**For the year ended 31<sup>st</sup> December 2014**

	Note	2014 £	2013 £
Turnover - agency fees	1(d)	-	-
Administrative expenses	2	-	-
<b>Result on ordinary activities before tax</b>	2	-	-
Tax on result on ordinary activities	4	-	-
<b>Result for the financial year</b>	7	£ -	£ -

The results above are all derived from continuing operations.

RiverStone Managing Agency has no recognised gains or losses other than those included in the Profit and Loss Account above and therefore no separate Statement of Total Recognised Gains and Losses has been presented.

There is no difference between the result on ordinary activities before tax and the result for the financial year reported above and the historical cost equivalent.

# RiverStone Managing Agency Limited (Company No. 3253305)

## Balance Sheet

As at 31<sup>st</sup> December 2014

	Note	2014 £	2013 £
<b>Assets</b>			
<b>Current assets</b>			
Debtors: Amounts falling due within one year	5	<u>565,517</u>	<u>437,636</u>
<b>Total Assets</b>		<b>£ <u>565,517</u></b>	<b>£ <u>437,636</u></b>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	6	599,138	599,138
Profit and loss account		(588,162)	(588,162)
<b>Total shareholders' funds</b>	7	<b>10,976</b>	<b>10,976</b>
<b>Creditors</b>			
Amounts falling due within one year	8	<u>554,541</u>	<u>426,660</u>
<b>Total Liabilities</b>		<b>£ <u>565,517</u></b>	<b>£ <u>437,636</u></b>

The financial statements on pages 9 to 14 were approved by the Board of Directors on 5 March 2015 and signed on its behalf by:



**L. R. Tanzer**  
Managing Director



**L. A. Hemsley**  
Finance Director

**RiverStone Managing Agency Limited (Company No. 3253305)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2014**

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**1. Accounting Policies**

(a) Accounting Convention

The financial statements of RiverStone Managing Agency Limited (“RiverStone Managing Agency” or “the Company”) have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies adopted by RiverStone Managing Agency are set out below and are consistent with those adopted in previous years.

(b) Going Concern

The financial statements have been prepared on a going concern basis. RiverStone Managing Agency recharges all of its net operating costs to the syndicates under its management. RiverStone Managing Agency’s affiliate, RiverStone Insurance (UK) Limited, which also provides unlimited reinsurance protection on the net reserves of Syndicate 3500, has provided a guarantee of up to £1 million in support of RiverStone Managing Agency’s solvency. RiverStone Managing Agency has received a letter of support from its parent, RiverStone Holdings Limited, whereby funds will be made available to RiverStone Managing Agency to ensure liabilities are met as they fall due for payment.

(c) Cash Flow Statement

RiverStone Managing Agency is a wholly owned subsidiary of Fairfax Financial Holdings Limited (“Fairfax”) and the cash flows of RiverStone Managing Agency are included in the consolidated group cash flow statement of Fairfax which is publicly available. Consequently, RiverStone Managing Agency is exempt under the terms of Financial Reporting Standard No.1 (revised 1996) ‘Cash Flow Statements’ from publishing a cash flow statement.

(d) Turnover

Turnover from agency fees represents amounts charged for the year to the capital providers of RiverStone Managing Agency’s managed syndicates.

(e) Translation of Foreign Currencies

All profit and loss transactions are translated at average exchange rates over the accounting period. Monetary assets and liabilities are translated using the closing rate method. Gains and losses arising from the translation of the opening foreign currency assets and liabilities into sterling at current year-end exchange rates, together with an adjustment arising on the translation of the Profit and Loss Account from average rate to closing rate, are taken to the Profit and Loss Account.

(f) Deferred Tax

Deferred tax assets and liabilities are established for differences between amounts reported in the financial statements and amounts reported in RiverStone Managing Agency’s annual corporate tax returns, including revaluation gains and losses on investments. Deferred taxes are calculated at the rates at which it is expected that the tax liability or benefit will arise. Deferred tax assets are recognised to the extent that the Directors regard the deferred tax assets as more likely than not recoverable. Deferred tax balances are not discounted.

**RiverStone Managing Agency Limited (Company No. 3253305)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2014**

**2. Administrative Expenses**

RiverStone Managing Agency has no employees. The management and administration of RiverStone Managing Agency is carried out by RiverStone Management Limited (“RiverStone Management”), a fellow subsidiary, which also provides these services to other group companies. Administrative costs and amounts incurred for staff and related costs were wholly recharged to the syndicate under RiverStone Managing Agency’s management. Operating expenses recharged by RiverStone Management during the year were £2,137,000 (2013: £2,245,000).

The directors receive no emoluments from RiverStone Managing Agency. The contracts of employment of the U.K. executive directors and employees are with RiverStone Management, which makes charges to RiverStone Managing Agency for services described above. Emoluments paid by RiverStone Management to the directors of RiverStone Managing Agency in respect of their services as directors of RiverStone Managing Agency are summarised below.

	2014 £	2013 £
Aggregate emoluments	163,000	276,000
Amounts receivable under long-term incentive schemes	-	-
	<u>£ 163,000</u>	<u>£ 276,000</u>

Retirement benefits are accruing to three directors (2013: three) under a defined benefit pension scheme.

During the year no directors exercised share options (2013: none).

The Directors’ remuneration disclosed above includes the following amounts paid to the highest paid Director:

	2014 £	2013 £
Aggregate emoluments	62,000	143,000
Amounts receivable under long-term incentive schemes	-	-
	<u>£ 62,000</u>	<u>£ 143,000</u>

As at 31<sup>st</sup> December 2014, £44,100 per annum was accrued under a defined benefit pension scheme for the highest paid Director (2013: £39,700).

**RiverStone Managing Agency Limited (Company No. 3253305)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2014**

**3. Auditors' Remuneration**

	2013 £	2012 £
Audit	5,750	5,600
Audit related assurance services	5,150	5,000
	<b>£ 10,900</b>	<b>£ 10,600</b>

The charge for the audit fee has been borne by an associated company, RiverStone Management Limited.

**4. Tax on Result on Ordinary Activities**

	2014 £	2013 £
<b>Current tax</b>		
UK corporation tax at 21.5% (2013: 23.25%) based on the result for the year	£ -	£ -

**5. Debtors: Amounts falling due within one year**

	2014 £	2013 £
Amounts owed by group undertakings	36,492	36,492
Amounts owed by managed syndicates	529,025	401,144
	<b>£ 565,517</b>	<b>£ 437,636</b>

**6. Called up Share Capital**

	2014 £	2013 £
<u>Allotted and Fully Paid</u>		
599,138 (2013: 599,138) Ordinary Shares of £1	<b>£ 599,138</b>	<b>£ 599,138</b>

**RiverStone Managing Agency Limited (Company No. 3253305)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2014**

**7. Reconciliation of Movements in Total Shareholders' Funds**

	2014 £	2013 £
At 1 <sup>st</sup> January	10,976	10,976
Result for the financial year	-	-
At 31 <sup>st</sup> December	<b>£ 10,976</b>	<b>£ 10,976</b>

**8. Creditors: Amounts falling due within one year**

	2014 £	2013 £
Amounts owed to group undertakings	<b>£ 554,541</b>	<b>£ 426,660</b>

**9. Related Party Transactions and Ultimate Parent Company**

RiverStone Managing Agency is a wholly owned subsidiary of RiverStone Holdings Limited which is registered in England and Wales. The ultimate parent company and controlling party is Fairfax Financial Holdings Limited ("Fairfax") which is registered in Canada and listed on the Toronto Stock Exchange.

Advantage has been taken of the exemption from the requirement to disclose transactions with related parties within the same group as provided by Financial Reporting Standard No. 8 "Related Party Disclosures". This exemption is available for RiverStone Managing Agency as consolidated financial statements are publicly available for Fairfax.

The financial statements of Fairfax, which is the smallest and largest group of undertakings to consolidate these financial statements, can be obtained from the Corporate Secretary, 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7 or from the website at [www.fairfax.ca](http://www.fairfax.ca)