COMPANY NO. 2709527

REGISTERED OFFICE: Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU

RiverStone Holdings Limited

Consolidated
2020 Annual Report

Contents

Directors

N. C. Bentley
A. R. Creed
L. R. Tanzer

Company Secretaries

F. Henry
S. L. Garrod (resigned 15 June 2020)

Registered Office

Park Gate
161-163 Preston Road
Brighton
East Sussex
United Kingdom
BN1 6AU

Independent Auditors

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

Website

https://www.rsml.co.uk

The Directors have pleasure in presenting the Strategic Report of the RiverStone Holdings Limited group ("the Group") for the year ended 31st December 2020. Reference to "the Company" or "RiverStone Holdings" means RiverStone Holdings Limited as an individual entity.

Ownership

On 31st March 2020, Fairfax Financial Holdings Limited ("Fairfax") sold a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System (''OMERs''), the pension plan manager for government employees in the province of Ontario. The European Run-off group includes RiverStone Holdings. Upon completion of the transaction, OMERs and Fairfax have joint control of the European Run-off group. Accordingly, Fairfax have deconsolidated the European Run-off group and have applied the equity method of accounting for its remaining equity interest.

RiverStone Holdings is registered in England and Wales. The ultimate parent company is RiverStone Barbados Limited ("RiverStone Barbados") which is registered in Barbados. The registered office of RiverStone Barbados is 12 Pine Commercial, The Pine, St. Michael Barbados BB11103

Principal Activities

The main activity of RiverStone Holdings is that of a UK holding company for subsidiary undertakings (together "the Group") primarily engaged in the run-off of insurance and reinsurance business and the performance of related services. RiverStone Holdings' primary focus is the settlement of its subsidiaries' policyholder obligations and recovery of reinsurance assets in an efficient and economic manner. Additionally, RiverStone Holdings continues to pursue opportunities to acquire further run-off portfolios.

RiverStone Holdings has one primary run-off insurance subsidiary, RiverStone Insurance (UK) Limited ("RiverStone Insurance (UK)").

In addition, RiverStone Holdings participates in the Lloyd's market through several wholly owned corporate members. The participation by year of account for those underwriting years that were open during the year to 31st December 2020 are shown below:

Member	2018	2019	2020
RiverStone Corporate Capital Limited	100% Syndicate 3500	100% Syndicate 3500	N/A
RiverStone Corporate Capital 3 Limited	56.67% Syndicate 1897 17.34% Syndicate 3268	85% Syndicate 1897	N/A
RiverStone Corporate Capital 4 Limited	10% Syndicate 1897	15% Syndicate 1897	N/A
GAI Indemnity Limited	29% Syndicate 2468	29% Syndicate 2468	29% Syndicate 2468
Sampford Underwriting Limited	35% Syndicate 2468	35% Syndicate 2468	35% Syndicate 2468
Lavenham Underwriting Limited	36% Syndicate 2468	36% Syndicate 2468	36% Syndicate 2468

As at 31st December 2020, Syndicate 3500 was managed by the Group's wholly owned subsidiary, RiverStone Managing Agency Limited ("RiverStone Managing Agency"), Syndicate 2468 was managed by the Group's wholly owned subsidiary, Neon Underwriting Limited ("Neon Underwriting") and Syndicate 1897 and Syndicate 3268 were managed by a third party managing agency, Asta Managing Agency Limited ("Asta Managing Agency").

The Group also contains two primary service companies, RiverStone Management Limited ("RiverStone Management") and Neon Management Services Limited ("Neon Management Services") that provide operational and administrative support to the primary operating subsidiaries.

Business Review

Results and Performance

The results for the year set out in the profit and loss account show a loss for the financial year of £63.0 million (2019: profit of £63.4 million).

The balance on the technical account for general business for the year was a profit of £13.4 million (2019: £21.9 million). This comprises a release of net technical provisions of £10.2 million and technical balance write offs of £23.1 million, partially offset by an increase in the bad debt provision by £900,000 and net operating expenses of £19 million.

The loss before tax amounts to £63.7 million (2019: Profit £75.2 million) and comprises net investment losses of £30 million (2019: gains of £73.5 million), foreign exchange gains of £1.5 million (2019: loss of £16 million), the gain on the technical account for general business, plus other income of £7.1 million (2019: £2.5 million) and other charges of £55.7 million (2019: £6.7 million).

Total shareholders' funds have decreased to £552.6 million from £640.4 million at the end of 2019. The decrease in total shareholders' funds comprises the loss for the financial year of £63.0 million, actuarial losses recognised in 2020 in respect of the defined benefit pension plan of £29.6 million, unrealised foreign exchange losses of £0.5 million plus tax recoveries on components of other comprehensive expense of £5.4 million.

During 2020, directly and through its subsidiaries, the Group undertook the following transaction activity:

- Effective 1st January 2020, Syndicate 3500 accepted the reinsurance to close of the 2017 and prior underwriting years of account liabilities of another Lloyd's syndicate. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of £180.3 million and £116.7 million, respectively. Also, effective 1st January 2020, Syndicate 3500 entered into an adverse development cover with an affiliate to provide downside protection over these liabilities.

- Effective 31st January 2020, following sanction by the High Court, a portfolio of liabilities primarily comprising asbestos, pollution and health exposures attaching to policies issued by a Japanese (re)insurer were transferred into RiverStone Insurance (UK) by way of a Part VII transfer. Under this transfer, net liabilities of £102.4 million were transferred to RiverStone Insurance (UK).

- Effective 1st April 2020, following sanction by the High Court, a portfolio of liabilities primarily comprising asbestos, pollution and health exposures attaching to policies issued by a UK (re)insurer were transferred into RiverStone Insurance (UK) by way of a Part VII transfer. Economic transfer of this portfolio had already been achieved by virtue of a reinsurance agreement that had been entered into effective 20th December 2018. The Part VII concludes the legal transfer and has had no impact of the net liabilities of RiverStone Insurance (UK).

- On 30th May 2020, RiverStone Holdings entered into a share purchase agreement with a leading marine insurance group to acquire 100% of the share capital of two Lloyd's corporate members and a Bermudan special purpose reinsurer. These two corporate members provide the majority of the capital for the 2018 and 2019 years of account of Lloyd's Syndicate 1897, which was placed into run-off in July 2019. This transaction completed on 11th September 2020 resulting in the addition of £69.9 million gross and £62.7 million net technical provisions to the consolidated Group balance sheet.

- On 26th September 2020, RiverStone Holdings entered into a share purchase agreement with American Financial Group Inc. to acquire 100% of the share capital of GAI Bermuda Holding Limited and all of its subsidiaries ("Neon Group"). The Neon Group comprises a series of entities including those which provide 100% of the capital support for Lloyd's Syndicate 2468, which was placed into run-off in

January 2020. This transaction completed on 31st December 2020 resulting in the addition of £504.3 million gross and £358.1 million net technical provisions to the consolidated Group balance sheet. Effective 17th December 2020, in support of this transaction, RiverStone Holdings entered into loan agreements with three entities in the Neon Group totalling £36.5 million.

Performance Measurements

The Group has made continued progress throughout 2020 in relation to key elements of its strategy, through the continued proactive management by its primary operating subsidiaries of their existing liabilities and through the acquisition of further run-off portfolios. The Board monitors the progress of the Group's existing run-off operations by reference to the reduction in gross loss reserves and reduction in reinsurance recoverables, in a timely and economic manner.

The Group's gross loss reserves, excluding portfolios and companies acquired during 2020 have decreased by 16% and reinsurance recoverables have decreased by 18%. The movements are in line with Board's expectations and the performance is considered to be satisfactory.

The Group's Solvency II available own funds capital as at the end of the year is £398.8 million (2019: £536.2 million).

Strategy and Future Developments

RiverStone Holdings' primary focus has been, and continues to be, to conduct a timely and efficient run off of its existing portfolios. RiverStone Holdings' continues to work towards a strategy to settle all outstanding liabilities and recover its reinsurance assets.

Over the past number of years, the Group has acquired a number of run-off portfolios of business. RiverStone Holdings' main focus continues to be the run-off of these portfolios together with actively seeking to acquire further portfolios of run-off business.

On 20th December 2020, Fairfax entered into a binding agreement with CVC Capital Partners to sell all of its equity interest in the European Run-off group to CVC Strategic Opportunities Fund II. OMERS has also agreed to sell all its interests the European Run-off group as part of the transaction. The transaction is subject to regulatory approval.

Effective 1st January 2021, Syndicate 3500 entered into the following transactions:

- the reinsurance to close of the 2018 and prior underwriting years of account liabilities of Syndicate 780. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of £132.1 million and £84.6 million, respectively;

- the reinsurance to close of the 2018 and prior underwriting years of account liabilities of Syndicate 1897. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of £58.1 million and £54.1 million, respectively;

- the loss portfolio transfer reinsurance of the 2019 underwriting year of account liabilities of Syndicate 1897. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of £13 million and £12.8 million respectively;

The reinsurance to close of the 2017 and prior underwriting years of account liabilities and the reinsurance to close of the 2018 and prior underwriting years of two separate third party Lloyd's syndicates. These transactions result in the transfer to Syndicate 3500 of gross and net technical provisions of £818.5 million and £632.8 million, respectively.

On 26th January 2021, Riverstone Holdings increased its authorised 'A' ordinary share capital to USD $1 billion and on the same date the Company issued USD 113 million ordinary 'A' shares to Riverstone Barbados.

On 8th February 2021, Riverstone Holdings issued a further 9,824,552 $1 ordinary shares to RiverStone Barbados in exchange for an asset value loan note.

The Board considers that the insurance operations of RiverStone Holdings' are adequately capitalized based on the financial position at the end of the year and the remaining risks and level of volatility inherent in its business

Principal Risks and Uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to approval by the board of directors of RiverStone Holdings' ("the Board") and ongoing review by the Board, executive committees, risk management (including compliance) and assurance. Compliance with regulatory, legal and ethical standards is a high priority for RiverStone Holdings'. Its compliance, legal and finance departments take on an important oversight role in this regard. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively; it is assisted in discharging these responsibilities by the RiverStone Holdings' Group Risk Committee.

RiverStone Holdings has developed a framework for identifying the risks that it is exposed to and their impact on economic capital. This process uses risk-based principles to manage RiverStone Holdings' capital requirements and to ensure that it has the financial strength and capital adequacy to support the continued run off of the business and to meet the obligations to policyholders, regulators and other stakeholders. The Directors consider that RiverStone Holdings' capital is adequate to meet its business needs under the regulatory capital regime.

The principal risks faced by the Group arise from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving and inadequate reinsurance protection (including the credit worthiness of major reinsurers). The Group's assets and liabilities are also exposed to market risk, including the impact of changes to interest rates, equity price fluctuations and adverse changes in exchange rates.

2020 has been dominated by the impact on society of the novel coronavirus, COVID-19. This disease has forced numerous economies to impose significant restrictions on free movement, with the UK requiring large numbers of workers to remain at home. The Group has continued to perform business as usual activities efficiently and effectively despite these restrictions and will continue to remain fully operational while these conditions remain in force. The group does not have material insurance exposure to COVID-19 related claims and its 2020 financial results have not been meaningfully impacted by this pandemic.

Section 172(1) of the Companies Act 2006

The Board of directors of RiverStone Holdings consider, in good faith, that they have had appropriate regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172.

Consequences of any Decision in the Long Term

The Board undertakes a detailed review of the Company's strategy annually and is actively involved in reviewing and approving the acquisitions policy and any acquisitions which ultimately drive the future of the business. All acquisitions are considered as part of an overarching governance process and set of risk appetite statements which actively ensure that all risks associated with the strategy are considered and long-term value is core to the decision-making process.

Employees

The Board acknowledges people are essential to the delivery of our strategy. While the Company has no immediate employees, the Board ensures that the interests of the employees of RiverStone Management, our outsources services provider, are appropriately considered when taking decisions. The Board is aware through its engagement with RiverStone Management, that there exists a well-established structure through which RiverStone Management supports engagement regularly with its employees. During 2020, a year heavily influenced by the impact of the COVID-19 pandemic, this engagement has included quarterly staff presentations and frequent direct email communication and updates. Other activity in 2020 included the completion of the Great Place to Work Survey, an opportunity for employees to provide anonymous feedback on their views of the organisation, as well as regular training for our employees

Business Relationships

The Board recognises that relationships with our stakeholders are key to the delivery of our strategy. During 2020, several members of the Board have had the opportunity to meet with our key regulator, the Prudential Regulation Authority, which continues to refresh and facilitate an understanding of their needs and expectations. The Board regularly engages with the Managing Director of RiverStone Management, our outsource services provider, to ensure that our core supplier relationship is fostered.

Community and Environment

The Board engages actively with RiverStone Management, our outsource services provider, to encourage, support and foster a positive relationship with the community and the environment. In the current year, through this engagement, the Board has supported charitable giving, infrastructure improvements to leased offices to support a reduction in our carbon footprint and the establishment of a diversity and inclusion forum. The Board note that while it has no employees that it supports RiverStone Management's policy of matching employee charitable donations and of allowing time to be available to support others in our communities.

Business Conduct

The Board recognises that a commitment to a high standard of business conduct is critical to the delivery of our strategy and aspires to complete honesty and transparency in all activity. Among key documents reviewed and approved by the Board annually are the Conduct Risk Strategy and Financial Crime Policy and the Board further monitors the performance of RiverStone Management, our outsource services provider, who is committed to maintaining the higher ethical standards.

Shareholder Engagement

The Board is committed to an open engagement with our shareholders and has had the opportunity to regularly meet with the directors of the immediate holding company throughout the year.

By Order of the Board

Park Gate
161-163 Preston Road
Brighton, East Sussex
United Kingdom, BN1 6AU

F Henry
Company Secretary
11th May 2021

RiverStone Holdings Limited (Company No. 2709527)
Directors' Report
For the year ended 31st December 2020

The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Holdings Limited group and company (Company No. 2709527) for the year ended 31st December 2020.

Directors

Directors holding office during the period from 1st January 2020 to the date of this report were:

N. C. Bentley
A. R. Creed
L. R. Tanzer

RiverStone Holdings 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.

Future Developments

Likely future developments in the business of RiverStone Holdings are discussed in the Strategic Report.

Dividends

RiverStone Holdings paid no interim dividends during the year (2019: nil). The Directors do not recommend a final dividend (2019: nil).

Financial Instruments

As described in Note 5 to the financial statements, the Group is exposed to financial risk through its financial assets, liabilities, reinsurance assets and policyholder liabilities. In particular, a key financial risk is that the proceeds from financial and reinsurance assets are not sufficient to fund the obligations arising from policies as they fall due. The most important components of this financial risk that the Group is exposed to are interest rate risk, equity risk, currency risk, credit risk and liquidity risk. The Company manages these risks within its overall risk management framework.

Streamlined Energy and Carbon Reporting

In line with the Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standard, the Group has been engaged in a process aimed at reducing our energy and greenhouse gas emissions.

The Group currently maintain both scope 1 & 2 emissions, which are generated from our offices. Further, the Group monitors emissions from transport: company vehicles and "grey fleet" (personal cars used for business purposes).

The Group is currently devising a strategy to reduce its carbon footprint including:

- Purchasing energy efficient equipment where appropriate in our offices,
- Replacing HVAC systems with energy-efficient equipment where possible,
- Adopting behavioural change measures where possible.

The Group's calculated carbon footprint for the current financial year is 135.7 tCO2e and energy consumption was 584,573.44 kWh (584.57 MWh).

Methodology

The Group has reported all emission sources under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013 as required and has calculated and reported emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 and 2020.

The reporting period is the 2020 calendar year, the same as that covered by the Annual Report and Financial Statements. The boundaries of the GHG inventory are defined using the operational control approach. In general, the emissions reported are the same as those which would be reported based on a financial control boundary.

2020 Emissions

Gas Emissions	Tonnes CO2 equivalent (tCO2e)
	39.20
Electricity Emissions	**Tonnes CO2 equivalent (tCO2e)**
	90.16
Total Transport Emissions	**Tonnes CO2 equivalent (tCO2e)**
	6.34
Total	**135.7 tCO2e**
Carbon intensity ration	0.617 t CO2e

The intensity metric is based on the Group's average number of employees during the financial year (223).

Total Emissions

Efficiency Measures Taken

1) Replaced aging office equipment with energy-efficient products,
2) Continual review of car policy and driver's handbook,
3) Expanded video conferencing and online meetings (as opposed to F2F meetings).
4) Replacing old halogen, T8 and inefficient lamps with low-energy LED's.
5) Installing electric vehicle charging points at its various premises.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board

F Henry
Company Secretary
11th May 2021

Park Gate
161-163 Preston Road
Brighton, East Sussex
United Kingdom, BN1 6AU

Report on the audit of the financial statements

Opinion

In our opinion, RiverStone Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's and company's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Consolidated 2020 Annual Report (the "Annual Report"), which comprise: Consolidated and Company Balance Sheet as at 31 December 2020; Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Changes in Equity and Consolidated Statement of Cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements , the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to to breaches of insurance regulations, such as those issued by the Prudential Regulation Authority, the Financial Conduct Authority and the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to reduce expenditure and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of insurance liabilities. Audit procedures performed included:

- Discussions with management, internal audit and management involved in the Risk and Compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the regulators such as, Prudential Regulation Authority, the Financial Conduct Authority and the Council of Lloyd's, in relation to compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Independently re-projecting certain high risk reserves classes, and considering the differences between actuarial and booked reserves for indication of possible management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or

- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11th May 2021

RiverStone Holdings Limited (Company No. 2709527)
Consolidated Profit and Loss Account
For the year ended 31st December 2020

	Note	2020 £'000	2019 £'000
Technical Account – General Business			
Gross premiums written	8	119,755	431,010
Outward reinsurance premiums		(2,633)	(211,816)
Net premiums written		**117,122**	**219,194**
Change in provision for unearned premium			
Gross amount		(15,065)	-
Reinsurers' share		(5,508)	-
Change in net provision for unearned premium		**(20,573)**	-
Written and earned premiums net of reinsurance		**96,549**	**219,194**
Gross claims paid		(252,708)	(319,380)
Reinsurers' share		112,575	176,382
Net claims paid		(140,133)	(142,998)
Change in the gross provision for claims		146,709	(190,766)
Reinsurers' share		(70,758)	148,376
Change in the net provision for claims		75,951	(42,390)
Claims incurred, net of reinsurance		**(64,182)**	**(185,388)**
Net operating expenses	9	(18,970)	(11,860)
Total technical charges, net of reinsurance		**(83,152)**	**(197,248)**
Balance on the technical account for general business		**13,397**	**21,946**
Non-Technical Account			
Investment income	11	22,732	29,920
Realised (losses)/gains on investments	11	(30,923)	13,188
Unrealised gains on investments		15,072	55,068
Unrealised losses on investments		(29,197)	(26,438)
Other income	12	7,079	2,504
Other charges	13	(55,745)	(6,698)
Foreign exchange gains/ (losses)		1,531	(16,012)
Investment expenses and charges	14	(3,535)	(3,834)
(Losses)/gains on derivative contracts	17	(4,064)	5,600
(Loss)/profit before tax		**(63,653)**	**75,244**
Tax on (loss)/profit	15	684	(11,891)
(Loss)/profit for the financial year		**£ (62,969)**	**£ 63,353**

The results above are all derived from continuing operations.

RiverStone Holdings Limited (Company No. 2709527)
Consolidated Statement of Comprehensive Income
For the year ended 31st December 2020

	Note	2020 £'000	2019 £'000
(Loss)/Profit for the financial year		(62,969)	63,353
Movement on other reserves		(4)	503
Foreign exchange losses		-	(1,359)
Currency translation differences		(538)	-
Re-measurements of net defined benefit obligation	18	(29,646)	(990)
Total tax recovery (charge) on components of other comprehensive (expense)/income	15	5,369	(717)
Total comprehensive (expense)/income for the year		**£ (87,788)**	**£ 60,790**

RiverStone Holdings Limited (Company No. 2709527)
Consolidated Balance Sheet
As at 31st December 2020

	Note	2020 £'000	2019 £'000
Assets			
Fixed Assets			
Tangible assets	16	**2,058**	**466**
Investments			
Other financial investments	17	1,173,151	1,037,307
		1,173,151	**1,037,307**
Reinsurers' share of technical provisions			
Claims outstanding	19	733,135	659,292
Provision for unexpired risk provision		2,640	-
Provision for unearned premium		14,613	-
		750,388	**659,292**
Debtors			
Debtors arising out of direct insurance operations	20	40,408	6,697
Debtors arising out of reinsurance operations	21	101,054	76,604
Other debtors	23	133,951	114,481
		275,413	**197,782**
Other assets			
Cash at bank and in hand		375,161	100,763
Overseas Deposits		63,230	31,161
Deferred taxation	22	6,022	-
		444,413	**131,924**
Prepayments and accrued income			
Accrued interest and rent		4,250	2,700
Deferred acquisition costs		3,304	-
		7,554	**2,700**
Total assets before pension asset		2,652,977	2,029,471
Pension asset	18	-	19,870
Total assets after pension asset		**£ 2,652,977**	**£ 2,049,341**

RiverStone Holdings Limited (Company No. 2709527)
Consolidated Balance Sheet
As at 31st December 2020

	Note	2020 £'000	2019 £'000
Capital and reserves			
Called up share capital	24	425,478	425,478
Share premium		78,141	78,141
Other reserves		(21,285)	(7,430)
Profit and loss account		70,241	144,174
Total shareholders' funds		**552,575**	**640,363**
Technical provisions			
Claims outstanding	7	1,857,370	1,300,212
Provision for unexpired risk		2,640	-
Provision for unearned premiums		50,813	-
		1,910,823	**1,300,212**
Provisions for other risks			
Deferred taxation	28	**4,465**	**6,401**
Creditors: Amounts falling due within one year			
Creditors arising out of direct insurance operations	25	13,116	-
Creditors arising out of reinsurance operations	26	94,166	77,700
Derivative financial instruments	17	4,983	864
Other creditors including tax and social security	27	67,269	23,801
		180,572	**102,365**
Pension liability	18	**5,580**	**-**
Total capital, reserves and liabilities after pension liability		**£ 2,652,977**	**£ 2,049,341**

The financial statements on pages 16 to 64 were approved by the Board of Directors on 11th May 2021 and were signed on its behalf by:

L. R. Tanzer
Managing Director

A. R. Creed
Finance Director

RiverStone Holdings Limited (Company No. 2709527)
Consolidated Statement of Changes in Equity
As at 31st December 2020

	Called Up Share Capital £'000	Share Premium Account £'000	Other Reserves £'000	Profit and Loss Account £'000	Total Share-Holders' Funds £'000
Balance at 1st January 2020	425,478	78,141	(7,430)	144,174	640,363
Loss for the financial year	-	-	-	(62,969)	(62,969)
Other comprehensive expense for the year	-	-	(13,855)	(10,964)	(24,819)
Total comprehensive expense for the year	-	-	(13,855)	(73,933)	(87,788)
Balance at 31st December 2020	**£ 425,478**	**£ 78,141**	**£ (21,285)**	**£ 70,241**	**£ 552,575**

	Called Up Share Capital £'000	Share Premium Account £'000	Other Reserves £'000	Profit and Loss Account £'000	Total Share-Holders' Funds £'000 Restated
Balance at 1st January 2019	359,957	78,141	8,845	67,109	514,052
Profit for the financial year	-	-	-	63,353	63,353
Other comprehensive expense for the year	-	-	(16,275)	13,712	(2,563)
Total comprehensive expense for the year	-	-	(16,275)	77,065	60,790
New share capital issued	65,521	-	-	-	65,521
Balance at 31st December 2019	**£ 425,478**	**£ 78,141**	**£ (7,430)**	**£ 144,174**	**£ 640,363**

Other reserves show the foreign exchange impact of the change in functional currency from US Dollars to Pound Sterling effective 1st October 2018.

RiverStone Holdings Limited (Company No. 2709527)
Company Balance Sheet
As at 31st December 2020

	Note	2020 £'000	2019 £'000 Restated
Assets			
Fixed Assets			
Investments in group undertakings	33	**335,511**	**325,938**
Debtors			
Amounts owed by Group Undertakings		**36,566**	-
Current Assets			
Cash at bank and in hand		3,720	132
		3,720	**132**
Total asset before pension asset		**375,797**	**326,070**
Pension asset	18	-	19,870
Total assets after pension asset		**£ 375,797**	**£ 345,940**
Capital, Reserves and Liabilities			
Capital and reserves			
Called up share capital	24	425,478	425,478
Share premium		78,141	78,141
Other reserves		(21,285)	(7,450)
Profit and loss account for year		52,415	95
Retained Earnings		(174,256)	(158,171)
Total shareholders' funds		**360,493**	**338,093**
Creditors: Amounts falling due within one year	34	9,724	7,847
Pension liability	18	5,580	-
Total capital, reserves and liabilities after pension liability		**£ 375,797**	**£ 345,940**

The financial statements on pages 16 to 64 were approved by the Board of Directors on 11th May 2021 and were signed on its behalf by:

L. R. Tanzer
Managing Director

A. R. Creed
Finance Director

RiverStone Holdings Limited (Company No. 2709527)
Company Statement of Changes in Equity
For the year ended 31st December 2020

	Called Up Share Capital £'000	Share Premium Account £'000	Other Reserves £'000	Profit and Loss Account Restated £'000	Total Share-Holders' Funds Restated £'000
Balance at 1st January 2020	425,478	78,141	(7,450)	(158,076)	338,093
Profit for the financial year	-	-	-	52,415	52,415
Other comprehensive expense for the year	-	-	(13,835)	(16,180)	(30,015)
Total comprehensive expense for the year	-	-	(13,835)	36,235	22,400
Balance at 31st December 2020	**£ 425,478**	**£ 78,141**	**£ (21,285)**	**£ (121,841)**	**£ 360,493**

	Called Up Share Capital £'000	Share Premium Account £'000	Other Reserves £'000	Profit and Loss Account Restated £'000	Total Share-Holders' Funds Restated £'000
Balance at 1st January 2019	359,957	78,141	9,327	66,630	514,055
Restatement	-	-	-	(254,354)	(254,354)
Restated Balance at 1st January 2019	359,957	78,141	9,327	(187,724)	259,701
Restated Profit for the financial year	-	-	-	95	95
Restated Other comprehensive expense for the year	-	-	(16,777)	29,553	12,776
Total comprehensive expense for the year	-	-	(16,777)	29,648	12,871
New share capital issued	65,521	-	-	-	65,521
Balance at 31st December 2019	**£ 425,478**	**£ 78,141**	**£ (7,450)**	**£ (158,076)**	**£ 338,093**

RiverStone Holdings Limited (Company No. 2709527)
Consolidated Statement of Cashflow
For the year ended 31st December 2020

		2020 £'000		2019 £'000 Restated
Reconciliation of (loss) / profit for the year to net cash inflow from operating activities				
(Loss)/profit for the financial year		(62,969)		63,353
Increase in gross technical provisions		69,220		180,284
Decrease/(increase) in reinsurers' share of gross technical provisions		72,978		(163,303)
(Increase)/decrease in debtors		(30,422)		44,506
Increase/(decrease) in creditors		73,248		(11,291)
Investment return		25,852		(67,402)
Net cash inflow from operating activities		**147,907**		**46,147**
Purchase of equity and debt instruments		(1,588,662)		(1,271,058)
Sale of equity and debt instruments		1,501,864		1,154,287
Acquisition of subsidiary (net of cash acquired)		213,000		-
Investment income received		19,860		25,527
Foreign exchange relating to investing activities		13,108		23,028
Other		(608)		-
Net cash inflow/(outflow) from investing activities		**158,562**		**(68,216)**
New share capital issued		-		64,163
		-		**64,163**
Cash and cash equivalents at beginning of year		131,924		89,829
Cash and cash equivalents at end of year	**£**	**438,393**	**£**	**131,924**
Cash at bank and in hand		375,161		100,763
Overseas deposits		63,230		31,161
Cash and cash equivalents	**£**	**438,393**	**£**	**131,924**

1. General Information

RiverStone Holdings Limited ("RiverStone Holdings" or "the Company") is a U.K. holding company of subsidiary undertakings (together "the Group") primarily engaged in the runoff of insurance and reinsurance business and the performance of related services.

RiverStone Holdings is a private company limited by shares and is incorporated in England. The address of its registered office is Park Gate, 161-163 Preston Road, Brighton East Sussex, United Kingdom, BN1 6AU.

2. Statement of Compliance

The financial statements of RiverStone Holdings and the Group 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" ("FRS102") and the Companies Act 2006. The Group financial statements have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance groups.

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.

(a) Basis of Preparation

The preparation of financial statements in conformity with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company 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 further below.

RiverStone Holdings acquired 100% of the share capital of two Lloyd's corporate members and a Bermudan special purpose reinsurer on 11th September 2020. The Profit and Loss Accounts of these entities are included in the consolidated Profit and Loss Account from this date onwards. RiverStone Holdings also acquired 100% of the share capital of GAI Bermuda Holding Limited ("GAI Bermuda Holding") and all of its subsidiaries ("Neon Group") on 31st December 2020. As a consequence of this transaction date no Profit and Loss Account movements of GAI Bermuda Holding or its subsidiaries are included in the consolidated Profit and Loss Account of the Group for the 2020 financial year.

These financial statements contain information about RiverStone Holdings as an individual company.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

(b) Prior Year Error and Restatement

The Company has restated prior year investment in group undertakings at cost less impairment. This restatement follows the identification of an error in the Company's prior year accounting policy for investment in group undertakings which have been previously been carried at net book value, rather than cost less impairment or fair value as required by FRS 102.

In accordance with FRS 102 Section 35.10 (f), investments in group undertakings held at the transition of UK GAAP to FRS102 on 1st January 2015, may be measured at deemed cost, which shall be the carrying amount at the date of transition as determined under the entity's previous GAAP. The Company has applied this measurement approach to all investments in group undertakings held at 1st January 2015. All subsidiaries acquired since that date are initially valued at actual cost and subject to impairment. This accounting policy should have been applied from 1st January 2015 as permitted under the transition to FRS102.

Prior year investment in group undertakings previously stated at a net book value of £631,619,000 have been restated to a cost less impairment value of £325,938,000, a reduction of £305,681,000. Prior year retained earnings have been likewise restated. The prior year company only profit before tax would have been £52,685,000 lower when following a cost less impairment valuation basis for investment in group undertakings. There is no impact to the presented consolidated RiverStone Holdings profit and loss account.

Had investment in group undertakings been valued at cost less impairment at 31st December 2018, the 2019 brought forward retained earnings would have been £254,354,000 lower. This comprises the £305,681,000 prior year retained earnings restatement noted above, the prior year profit and loss restatement noted above of £52,685,000 and foreign exchange impacts of £1,358,000.

(c) Going Concern

Having addressed the principal risks, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

(d) Exemptions for Qualifying Entities under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to the use of exemptions by RiverStone Holdings' shareholders. RiverStone Holdings has not taken advantage of any exemptions.

(e) Basis of Consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31st December 2020.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Any subsidiary undertakings acquired during the year are included up to, or from, the date of change of control or change of significant influence respectively.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

(f) Insurance Contracts

i) Premiums Written

Premiums written relate to business incepted during the year, together with any difference between recorded premiums for prior years and those previously accrued and include estimates of premiums due but not yet receivable or notified to the Group less an allowance for cancellations. Premiums written are shown gross of commission payable to intermediaries and exclude related taxes.

Premiums are accreted to the income statement on a pro-rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these cases, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date. The unearned premium reserve is translated to Sterling at closing rates of exchange.

Acquisition costs, which represent commission and other related expenses, are allocated over the period in which the related premiums are earned.

ii) Claims Incurred and Reinsurers' Share

Claims incurred comprise claims and related claims handling expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, reductions are made for salvage and other recoveries.

Provisions for outstanding claims and related reinsurance recoveries are established based on estimates of the ultimate net cost of settlement along with actuarial and statistical projections. Claims provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, levels of unpaid claims, judicial decisions and economic conditions.

Provisions for unexpired risks are established based on estimates of the cost of all claims and expenses in connection with insurance contracts in force after the end of the financial year where these costs are estimated to be in excess of the related unearned premiums and any premiums receivable on those contracts.

Whilst the board of directors of RiverStone Holdings' ("the Board") believes that the provisions for outstanding claims and related reinsurance recoveries including bad debt provisions are fairly stated, these estimates inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an incurred loss, the reporting of that loss to the Group, the Group's payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business previously underwritten and assumed by the Group. The estimates made are based upon current facts available to RiverStone Holdings' and the prevailing legal environment and are subjected to continual review, with any resulting adjustments reported in current earnings. Anticipated reinsurance recoveries are disclosed separately as assets on the balance sheet.

(g) Translation of Foreign Currencies

The financial statements are presented in Pound Sterling and, unless otherwise stated, are rounded to thousands. Items included in RiverStone Holdings' financial statements are measured using the currency of the primary economic environment in which it operates. RiverStone Holdings' functional currency is Pound Sterling.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each year end foreign currency monetary items are translated using the year end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account for the year.

The results and financial position of the non-GBP functional currency subsidiaries are translated into the presentation currency as follows:

(a) assets and liabilities are translated at the closing rate at the balance sheet date;
(b) income and expenses are translated at the average rate of exchange during the year; and
(c) all resulting exchange differences are recognised in other comprehensive income.

(h) Tax

Tax expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Tax Rate Changes

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

iii) Deferred Tax

Deferred tax assets and liabilities are established for differences between amounts reported in the financial statements and amounts reported in RiverStone Holdings' annual corporation 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 using tax rates and laws that have been enacted or substantively enacted by the year end. Deferred tax assets are recognised to the extent that they are regarded as more likely than not recoverable. Movements on deferred tax assets and liabilities are recognised in the profit and loss account, except to the extent that they arise in relation to movements in the Statement of Comprehensive Income

(i) Other Financial Investments

RiverStone Holdings' has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS102 in respect of the financial statements.

The Group classifies its investments into the following categories: financial assets at fair value through profit and loss and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

i) Financial Assets at Fair Value through Profit and Loss

A financial asset is classified into this category at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities. All derivatives are classified as at fair value through profit and loss.

ii) Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in listed and unlisted equity securities, fixed interest rate debt securities and derivatives designated upon initial recognition at fair value through profit and loss.

The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit and loss are presented in the Profit and Loss Account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the year in which they arise.

iii) Available for Sale Financial Assets

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit and loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Profit and Loss Account within net realised gains on investments.

The Group discloses its investments in accordance with a fair value hierarchy with the following levels:

i) Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;
ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
iii) Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

(j) Impairment of Financial Assets

At each balance sheet date the Group assesses whether there is objective evidence that an available for sale financial asset is impaired, including in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available for sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the Profit and Loss Account) is removed from equity and recognised in the Profit and Loss Account for the year. Impairment losses recognised in the Profit and Loss Account in respect of equity instruments are not subsequently reversed. The impairment loss is reversed through the Profit and Loss Account, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss.

(k) Derivative Financial Instruments

Derivative financial instruments comprise foreign currency forward contracts and equity index and US government bond total return swaps. Derivatives are initially and subsequently measured at their fair value with movements in the fair value being immediately recognised in the profit and loss account. Fair values are obtained from quoted market prices, discounted cash flow models, risk models and option pricing models as appropriate.

(l) Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

(m) Pensions

RiverStone Holdings is the principal employer for the RiverStone group's defined benefit pension scheme. RiverStone Management Limited ("RiverStone Management") is the primary participating employer.

The cost of the pension scheme is analysed between current service cost, past service cost and net return on the pension scheme. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each year. Past service costs, relating to employee service in prior periods arising as a result of the introduction of, or improvement to, retirement benefits, are recognised on a straight-line basis over the year in which the increase in benefits vest. All the costs of the group defined benefit pension scheme are paid by Riverstone Management and are recognised as an expense in the Profit and Loss Accounts of RiverStone Management and the Group.

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the Statement of Comprehensive Income for the year. The attributable deferred tax is shown separately in the Statement of Comprehensive Income. The pension surplus or deficit recognised in the balance sheet of RiverStone Holdings and the Group is the value of the pension scheme's assets less the present value of the scheme's liabilities.

(n) Related Party Transactions

RiverStone Holdings' 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 on the financial statements.

(o) Business combinations and Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination. Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding ten years. The useful economic life of ten years has been applied to all goodwill held at the balance sheet date. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Where the cost of the business combination exceeds the fair value of RiverStone Holdings' interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. RiverStone Holdings, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and release this to profit and loss, up to the fair value of non-monetary assets acquired, over the periods in which the non-monetary assets are recovered and any excess over the fair value of non-monetary assets in the income statement over the period expected to benefit.

(p) Tangible Assets and Depreciation

Tangible assets are valued at cost less accumulated depreciation. Cost includes the original purchase price, costs directly attributable to bringing the asset to its intended use, dismantling and restoration costs. Assets are depreciated on a straight-line basis from the time when they are available for use over the estimated useful lives as follows:

i) Fixtures and fittings (primarily computer equipment) - 20% to 33% per annum

ii) Motor vehicles - 25% per annum
iii) Leasehold improvements - amortised over lease period

(q) Leased Assets

The Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

i) Finance Leases

Assets under finance leases are capitalised in the balance sheet and amortised over their estimated useful life. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals consist only of a capital element and are applied to reduce the outstanding obligations.

ii) Operating Leases

Costs in respect of operating leases are charged to profit and loss as incurred over the lease term.

(r) Employee Benefits

RiverStone Management Limited and Neon Management Services Limited, subsidiaries of the Company, provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

i) Short-term benefits

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.

ii) Defined Benefit Pension Scheme

RiverStone Management is a participating employer in a defined benefit pension scheme. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

RiverStone Management recognises the costs of the pension scheme in its profit and loss account as staff costs. As RiverStone Holdings Limited, the principal employer of the Defined Benefit Pension Scheme, has adopted FRS 102 within the group, any funding surpluses or deficits that may arise in respect of the scheme, are recorded in the financial statements of the group parent. Full disclosure of pension costs relating to this scheme is made in accordance with FRS102 in the financial statements of RiverStone Holdings Limited.

iii) Defined Contribution Pension Scheme

A defined contribution plan is a pension plan under which fixed contributions are paid to a separate entity. Once the contributions have been paid RiverStone Management and Neon Management Service Limited have no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately in independently administered funds.

Further details of the Group's pension schemes are given in Note 9.

iv) Annual Bonus Plan

RiverStone Management and Neon Management Services Limited operate discretionary annual bonus plans for employees. An expense is recognised in the profit and loss account when a legal or constructive obligation to make payments under the plans as a result of past events exists and a reliable estimate of the obligation can be made.

(s) Cash Settled Share Based Payments

RiverStone Management, a subsidiary of the Company, has granted options to acquire shares in Fairfax Financial Holdings Limited, to certain employees. Services received, and the liability to pay for those services, are recognised at fair value in the Profit and Loss Account over the vesting period of the options that have been granted. Until the option is exercised and the liability is settled, the fair value of the liability is re-measured at the end of each year and at the date of settlement, with any changes in fair value being recognised in the Profit and Loss Account for the year. Fair value is determined by reference to the market share price of the underlying shares as at the valuation date.

(t) Investment in Group Undertakings

Investments in subsidiary undertakings are recorded at cost less impairment. Impairment losses are recognised in the profit and loss account.

Dividend income from investments in subsidiaries is recognised when the right to receive payment has been established.

(u) Impairment of Non-Financial Assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter, any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account. Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

4. Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

RiverStone Holdings makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) The Ultimate Liability Arising from Claims made under Insurance Contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is RiverStone Holdings' most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

RiverStone Holdings makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. Some of these claims are not expected to be settled for several years and there is uncertainty as to the amounts at which they will be settled. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(b) UK and US Disease Related and US Environmental Pollution Claims

The Group establishes case reserves for reported disease related and environmental pollution claims and future legal and associated expenses for such reported claims. It also establishes reserves for unreported claims and legal and associated expenses for such unreported claims. The Group regularly reviews the adequacy of its loss reserves for disease related and environmental pollution claims and claim expenses. These exposures do not lend themselves to traditional methods of loss reserve estimation. Reserving for disease related and environmental pollution claims is subject to significant uncertainties that are not generally present for other types of claims. These claims differ from almost all others in that it is often not clear that an insurable loss has occurred, which policy years apply, and which insurers may be liable.

In respect of US claims, these uncertainties prevent identification of applicable policies and policy limits until after a claim is reported to the Group and substantial time is spent (over many years in some cases) resolving contract issues and determining facts necessary to evaluate the claim. While the nature and extent of insurance and reinsurance coverage for these types of claims has widened in recent years, there has been no final judgement which would apply to all cases which would result in the wholesale transfer of these types of claims from insureds to insurers and reinsurers. In other cases, there are US claims similar to UK claims, which differ from others in that it is often not clear that an insurable loss has occurred, which policy years apply, and which insurers may be liable.

The Group expects disease related and environmental pollution claims to continue to be reported for the foreseeable future. The claims to be paid and timing of any such payments depend on the resolution of uncertainties associated with them and could extend over many years.

In January 2021, the Institute and Faculty of Actuaries UK Asbestos Working Party ("AWP") published updated UK Mesothelioma projection scenarios for the first time since 2009. These scenarios provide one estimate of the potential total cost to the UK insurance industry of UK mesothelioma claims. The revised projections estimate a 42% reduction in total costs between 2020 and 2050. The AWP data is used as one of several variables by the Group when establishing appropriate mesothelioma IBNR levels and these published changes could lead to a variation in any future ultimate liabilities established by the Group. No amendments have been made to the Group's 31 December 2020 technical provisions as a result of these findings.

For these reasons, the Group estimates that the possible ultimate liabilities for these exposures could be substantially different from the amounts currently provided in the financial statements. Nevertheless, RiverStone Holdings' believes that the reserves carried for these exposures are adequate based on known facts and current interpretation of applicable laws.

5. Management of Insurance and Financial Risk

Financial Risk Management Objectives

The Group is exposed to insurance risk through the insurance contracts that it has written, or which have been legally transferred to it, and to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

RiverStone Holdings' has established an overall risk management policy which focuses on the main risks to which it is exposed, paying particular attention to key risks which impact on the overall operation of the business. A risk register is maintained which is updated at least quarterly. All risks on the register are reviewed with key management personnel and the Board reviews the key risks on a quarterly basis.

(a) Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty over the amount of the resulting ultimate claim. By the very nature of an insurance contract, this risk is unpredictable at the outset.

The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits arising from insurance contracts will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to materially be affected by a change in any subset of the portfolio. The Group has a diversified portfolio of insurance risks, all of which relate to business originally written previously, and which are mature in nature.

The Group mitigates insurance risk through the use of reinsurance, both in the form of third party reinsurance associated with the business originally written and reinsurance with affiliated reinsurers.

i) Process for Assessment of Technical Provisions

The Group adopts a consistent process to the calculation of an appropriate provision for the exposures arising from the business it has written. A full reserving analysis is conducted at least annually and the technical provisions recorded on the balance sheet are in line with the Board's view of the best estimate value of the underlying liabilities.

The technical provisions recorded at the reporting date comprise the estimated ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The provision is based on known facts at the balance sheet date. The provision is reviewed as part of a regular ongoing reserving process as the loss experience develops, certain claims are settled and further claims are reported. The cash flow, paid claims, outstanding claims, claims counts and incurred movement are compared with the actuaries' expected development of the account by class and year and where statistically significant, large loss or loss type. Where necessary, revisions are made to the ultimate expected loss on a best estimate basis.

The Group uses assumptions based on a mixture of claims information, internal historical data and market data to measure its claims liabilities. This information is used to project the ultimate expected number and value of claims, by major class of business, using recognised statistical estimation techniques.

Assumptions are reviewed and tested regularly in the light of actual claims development and general market movements and trends.

ii) Sources of Uncertainty in the Estimation of Future Claim Payments

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts is discussed in Note 4.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the future looking nature of outstanding claims and latency involved with certain classes of claims, for example asbestos exposures, it is likely that the final outcome, on a claim by claim basis, will prove to be different from the original assessed reserve for any given claim, although in aggregate, for known claims, the expected outcome is intended to be close to a breakeven, on a best estimate basis, with neither surplus or loss being generated over time. This is an aspect of executive and actuarial review which is closely monitored. In respect of latent claims (those that have yet to be notified) care is taken to assess historical notification patterns and the propensity of the underlying classes to produce losses (for example some policy classes are on the claims made basis and no new notifications are able to be made post expiry). The estimation of future losses will be cross referred to industry benchmarks and adjusted for actual experience over time.

The liability for insurance contracts comprises a provision for claims incurred but not yet reported and a provision for reported claims not yet paid. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims that have already been notified, for which there is more information available.

iii) Key Assumptions and Sensitivities

The assumptions that have the greatest impact on technical provisions are those that affect the expected future claims amounts and claims numbers (IBNR). The most material IBNR liabilities and uncertainties for the Group relate to both its portfolio of UK disease claims, particularly arising from mesothelioma and other asbestos-related disease exposures, and Liability and Professional Indemnity classes.

UK disease claims are very long-tailed in nature with over 30 years of uncertain future cashflows expected and the largest sensitivities on the Liability and Professional indemnity classes are in respect of uncertainties around future numbers and amounts of claims for which the reserves for these classes will be paid out over several years.

The underlying sensitivity of the IBNR in respect of UK disease claims is driven by the uncertainty in the average cost per claim assumption and the future number of claims. A key assumption for the future average cost per claim is the estimate of future claims inflation which is inherently uncertain.

As set out in Note 4, the data published by the AWP is considered when establishing the Group's mesothelioma reserves and no adjustment has been made to the 31st December 2020 technical provisions as a result of new projections published by the AWP in January 2021.

The Group is judged not to have material insurance exposure to COVID-19 related claims and has experienced only moderate claims notifications in this regard during 2020. The 31st December 2020 technical provisions make allowance for potential claims arising in relation to this pandemic based on the detailed knowledge of business written and the expert judgements of actuarial and claims subject matter experts. While the final outcome of any potential claims is subject to uncertainty and is unlikely to be known for some time, the current provisions are deemed sufficient.

iv) Claims Development Tables

The following tables present the comparison of actual claims incurred to previous estimates for the last 10 years. The tables do not include provisions for unexpired risk.

Claims Outstanding (Gross) **Underwriting Year**	**2011** **£'000**	**2012** **£'000**	**2013** **£'000**	**2014** **£'000**	**2015** **£'000**	**2016** **£'000**	**2017** **£'000**	**2018** **£'000**	**2019** **£'000**	**2020** **£'000**	**Total** **£'000**
Estimate of cumulative gross claims											
At the end of the first year	81,301	372,005	173,797	212,737	236,187	250,502	290,093	408,622	103,845	62,170	2,191,259
- One year later	185,475	503,294	358,117	418,099	510,056	573,654	479,033	554,152	274,538	-	3,856,418
- Two years later	165,666	470,973	343,653	452,981	546,650	656,781	548,003	557,573	-	-	3,742,280
- Three years later	163,564	458,845	328,782	479,058	548,921	676,988	571,044	-	-	-	3,227,202
- Four years later	157,563	447,514	330,093	506,249	562,742	720,571	-	-	-	-	2,724,732
- Five years later	155,598	446,831	317,853	504,697	566,804	-	-	-	-	-	1,991,783
- Six years later	157,943	469,572	316,064	524,597	-	-	-	-	-	-	1,468,176
- Seven years later	151,032	480,533	307,449	-	-	-	-	-	-	-	939,014
- Eight years later	154,904	479,546	-	-	-	-	-	-	-	-	634,450
- Nine years later	163,486	-	-	-	-	-	-	-	-	-	163,486
Current estimate of cumulative claims	163,486	479,546	307,449	524,597	566,804	720,571	571,044	557,573	274,538	62,170	4,227,778
Cumulative payments to date	147,927	411,258	282,463	454,604	433,198	514,833	430,091	280,448	80,305	3,886	3,039,013
Liability recognised in the balance sheet	**£15,559**	**£68,288**	**£24,986**	**£69,993**	**£133,606**	**£205,738**	**£140,953**	**£277,126**	**£194,233**	**£58,284**	**£1,188,766**
Reserve in respect of prior years											668,604
Total reserve included in the balance sheet										**£**	**1,857,370**

Claims Outstanding (Net) Underwriting Year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	Total £'000
Estimate of cumulative gross claims											
At the end of the first year	74,256	295,415	155,382	160,516	165,421	215,882	159,097	226,564	83,281	46,696	1,582,510
- One year later	172,011	413,492	298,525	343,611	382,155	487,994	305,045	344,458	196,870	-	2,944,161
- Two years later	156,398	408,210	299,130	372,851	400,911	542,694	348,522	359,854	-	-	2,888,570
- Three years later	154,151	394,401	287,899	380,908	414,532	514,166	304,335	-	-	-	2,450,392
- Four years later	146,069	382,352	290,997	385,693	424,350	554,591	-	-	-	-	2,184,052
- Five years later	144,250	382,976	276,131	394,646	432,886	-	-	-	-	-	1,630,889
- Six years later	145,740	404,748	275,509	413,969	-	-	-	-	-	-	1,239,966
- Seven years later	138,985	414,070	285,892	-	-	-	-	-	-	-	838,947
- Eight years later	140,782	424,013	-	-	-	-	-	-	-	-	564,795
- Nine years later	150,903	-	-	-	-	-	-	-	-	-	150,903
Current estimate of cumulative claims	150,903	424,013	285,892	413,969	432,886	554,591	363,564	359,854	196,870	46,696	3,229,238
Cumulative payments to date	143,214	370,737	275,463	379,683	390,370	449,150	267,100	183,073	55,199	3,316	2,517,305
Liability recognised in the balance sheet	**£7,689**	**£53,276**	**£10,429**	**£34,286**	**£42,516**	**£ 105,441**	**£96,464**	**£176,780**	**£141,671**	**£43,380**	**£711,932**
Reserve in respect of prior years											412,303
Total reserve included in the balance sheet											**£1,124,235**

v) Insurance Risk Concentrations

The concentration of insurance risk before and after reinsurance by the most material classes of business is summarised below, with reference to the carrying amount of outstanding claims and provisions for unexpired risk (gross and net of reinsurance) arising from insurance contracts:

	2020		2019	
	Gross £'000	**Net £'000**	**Gross £'000**	**Net £'000**
UK Mesothelioma	249,188	119,634	275,740	133,051
Non-UK Mesothelioma	141,518	104,861	73,320	35,734
Other General Liability	677,253	447,124	436,798	231,635
Marine, aviation and transport	144,220	91,468	98,026	30,342
Fire and other damage to property	175,615	79,452	50,618	15,845
Deafness	21,493	10,182	26,894	12,762
Professional Indemnity/Financial Institutions	16,148	11,310	25,763	13,314
Casualty Treaty	46,462	14,462	51,495	6,310
Asbestos structured settlements	26,010	18,593	33,624	25,135
Pollution	27,444	22,930	24,003	18,618
Worker's compensation	48,017	22,735	74,023	35,488
Other	257,841	125,330	103,531	69,364
Claims expense reserve	28,801	56,154	26,377	13,322
	£ 1,860,010	**£ 1,124,235**	**£ 1,300,212**	**£ 640,920**

(b) Market Risk

i) Interest Rate Risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. The Group works closely with its subsidiary investment managers to review the duration of the investment portfolio in relation to the estimated mean duration of the liabilities.

Given the short term nature of the cash and investments of the Group, it is not exposed to significant interest rate risk since maturing short term investments are repriced at market interest rates on an ongoing basis.

The impact of a 100 basis point increase in interest rates on the value of the Group investments held at 31st December 2020 is an approximate £5.1 million loss (2019: £5.5 million loss) to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate £5.2 million gain (2019: £5.3 million gain) to the profit and loss account.

ii) Equity Price Risk

The Group is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. Exposures to individual companies and to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency.

Investments held comprise unlisted and listed investments. Listed investments are those that are traded on recognised stock exchanges, primarily in Europe, North America and Asia.

The Group's subsidiaries have a defined investment policy which sets limits on its exposure to equities, both in aggregate terms and by counterparty. This policy of diversification is used to manage the Group's price risk arising from its investments in equity securities.

Listed equity securities held at 31st December 2020 represent 74.2% of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all the Group's equity investments moved according to the historical correlation with the index, the profit for the year would increase/decrease by £8.2 million (2019: £11.2 million).

iii) Currency Risk

The Group's subsidiaries manage their foreign exchange risk against their functional currency. The Group has a proportion of its assets and liabilities denominated in currencies other than the subsidiary functional currencies, the most significant being the Euro and US Dollar. The Group seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency and by the utilisation of forward currency contracts.

At 31st December 2020, if the Euro had weakened by 10% more than the actual 2020 movement against the Pound Sterling with all other variables held constant, profit for the year would have been £280,000 higher (2019: £507,000 higher), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets and Pound Sterling denominated liabilities, after forward currency contracts are taken into account.

At 31st December 2020, if the US Dollar had weakened by 10% more than the actual 2020 movement against the Pound Sterling with all other variables held constant, profit for the year would have been £6 million higher (2019: £1.1 million higher), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets, and Pound Sterling denominated liabilities, after forward currency contracts are taken into account.

(c) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid
- amounts due from insurance intermediaries
- amounts due from corporate bond issuers
- counterparty risk with respect to derivative transactions; and
- cash at bank and in hand.

As the Group is in runoff its exposures to reinsurers and insurance intermediaries are determined by contracts previously written. The Group manages the levels of credit risk from reinsurers and insurance intermediaries by quarterly review of receivable balances by counterparty. Management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. It is the Group's policy to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage. In certain circumstances, collateral is held in order to mitigate credit risk exposure. This collateral is in the form of security accounts, deposits and letters of credit from reinsurers.

The Group reduces its exposure to credit risk in relation to investments by entering into transactions with counterparties that are reputable and by settling trades through recognized exchanges. The Group maintains strict control limits on open derivative positions. The amount subject to credit risk at any one time is limited to the current fair value of derivative financial assets.

RiverStone Holdings' specifically monitors its exposure to the credit risk of the loan receivable that it has from an affiliated company. RiverStone Holdings' reviews the financial performance of the affiliated entity on a quarterly basis.

The assets bearing credit risk are summarized below, together with an analysis by credit rating (AM Best or equivalent):

	2020 £'000	2019 £'000
Derivative financial instruments	6,292	11,322
Debt securities	844,850	726,329
Deposits with credit institutions	800	712
Assets arising from reinsurance contracts held	877,237	742,593
Cash at bank and in hand	375,148	100,763
Overseas Deposits	63,230	31,161
Affiliated loan receivable	97,969	-
Loans with group undertakings	-	101,068
Total assets bearing credit risk	**£ 2,265,526**	**£ 1,713,948**

	2020 £'000	2019 £'000
A++	200,095	242,151
A+	141,083	87,526
A, A-	1,098,267	654,944
B++ and below or not rated	826,081	729,327
Total assets bearing credit risk	**£ 2,265,526**	**£ 1,713,948**

Assets arising from reinsurance contracts held, including premium receivable are further analysed as follows:

	2020 £'000	2019 £'000
Performing	859,814	735,981
Past due	17,423	6,612
Impaired	4,023	2,227
Provision for irrecoverable amounts	(4,023)	(2,227)
Total	**£ 877,237**	**£ 742,593**

(d) Liquidity Risk

The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using a combination of operational cashflow forecasting and actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The table below analyses the maturity of the Group's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented in their expected cash flows.

	No Contractual Maturity Date £'000	< 6 months or on Demand £'000	Between 6 months and 1 year £'000	Between 1 year and 2 years £'000	Between 2 years and 5 years £'000	> 5 Years £'000	Carrying Value £'000
At 31st December 2020							
Financial liabilities under investment contracts	-	195	-	-	-	-	195
Creditors	-	77,500	92,502	5,480	6,603	3,872	185,957
	-	**77,695**	**92,502**	**5,480**	**6,603**	**3,872**	**186,152**
Claims outstanding	-	128,543	272,474	513,267	283,581	662,145	1,860,010
Financial liabilities and outstanding claims	**£ -**	**£ 206,238**	**£ 364,976**	**£ 518,747**	**£ 290,184**	**£ 666,017**	**£ 2,046,162**
At 31st December 2019							
Financial liabilities under investment contracts	-	385	-	-	-	-	385
Creditors	-	77,519	4,828	4,662	8,189	6,782	101,980
	-	**77,904**	**4,828**	**4,662**	**8,189**	**6,782**	**102,365**
Claims outstanding	-	123,394	128,048	174,109	288,397	586,264	1,300,212
Financial liabilities and outstanding claims	**£ -**	**£ 201,298**	**£ 132,876**	**£ 178,771**	**£ 296,586**	**£ 593,046**	**£ 1,402,577**

(e) Capital Management

RiverStone Holdings maintains an efficient capital structure comprising only its equity shareholders' funds, consistent with its risk profile and the regulatory and market requirements of its business. The Group's objectives in managing its capital are:

- to satisfy the requirements of its policyholders, regulators and other stakeholders;
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to retain financial flexibility by maintaining adequate liquidity

The Group considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance and securitisation, as appropriate, when assessing its deployment and usage of capital. The Group manages as capital all items that are eligible to be treated as capital for regulatory purposes. Insurance entities within the Group are regulated by the Prudential Regulation Authority and Financial Conduct Authority ("FCA") and are subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Group manages capital in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. RiverStone Holdings manages its own regulatory capital by reference to both minimum capital requirements and also self-assessed risk-based capital determined under EU Directive. RiverStone Holdings has complied with all of its capital requirements throughout the year.

At the end of the year, RiverStone Holdings' held Solvency II available own funds capital of £398.8 million (2019: £536.2 million).

6. Portfolio Transfers

Effective 31st January 2020, following sanction by the High Court, a portfolio of liabilities primarily comprising asbestos, pollution and health exposures attaching to policies issued by a Japanese (re)insurer were transferred into RiverStone Insurance (UK) by way of a Part VII transfer. Under this transfer, net liabilities of £109.7 million were transferred to RiverStone Insurance (UK).

Effective 1st April 2020, following sanction by the High Court, a portfolio of liabilities primarily comprising asbestos, pollution and health exposures attaching to policies issued by a UK (re)insurer were transferred into RiverStone Insurance (UK) by way of a Part VII transfer. Economic transfer of this portfolio had already been achieved by virtue of a reinsurance agreement that had been entered into effective 20th December 2018. The Part VII concludes the legal transfer and has had no overall impact on the net liabilities of RiverStone Insurance (UK).

The book value of net assets subject to transfer into RiverStone Insurance (UK) as a result of these two Part VII transfers was as follows:

Portfolio	**Gross Assets £'000**	**Gross Liabilities £'000**
Japanese (re)insurer	8,166	109,984
UK (re)insurer	4,392	18,073
	£ 12,558	**£ 128,057**

7. Reconciliation of Technical Provisions

A reconciliation of the changes to the Group's gross, ceded and net loss reserves including claims outstanding and provisions for unexpired risk from 1st January 2020 to 31st December 2020:

	Gross £'000	**Ceded £'000**	**Net £'000**
Amounts at 1st January 2020	1,300,191	659,373	640,818
Amounts paid during the year	(252,709)	(112,575)	(140,134)
Change in estimate of reserves	(40,558)	(13,298)	(27,260)
Amounts transferred under Part VII transfers	122,691	5,684	117,007
Amounts acquired through company purchase	571,295	158,695	412,600
Technical balances write off	(3,015)	-	(3,015)
Write off against bad debt provision	-	(426)	426
Reinsurance of new liabilities	156,366	53,841	102,525
New ceded reinsurance entered into	-	1,700	(1,700)
Foreign exchange	5,749	(17,219)	22,968
Amounts at 31st December 2020	**£ 1,860,010**	**£ 735,775**	**£ 1,124,235**

8. Analysis of Gross Business

	Gross premiums written 2020 £'000	Gross premiums earned 2020 £'000	Gross claims incurred 2020 £'000	Gross operating expenses 2020 £'000	Re-insurance balance 2020 £'000
Direct Insurance					
Accident and health	3,861	3,886	(4,215)	(413)	(2,096)
Motor	-	-	8,065	(17)	(7,398)
Marine, aviation and transport	9,187	8,988	(16,194)	(4,136)	(7,042)
Credit and surety	24,963	11,314	(5,257)	2,500	2,407
Fire and other damage to property	8,393	7,803	(39,158)	(3,403)	26,127
Third party liability	56,902	56,715	(58,994)	(18,276)	21,873
	103,306	88,706	(115,753)	(23,745)	33,871
Reinsurance acceptances	16,449	15,984	9,754	(15,473)	20,053
Total	£ **119,755**	£ **104,690**	£ **(105,999)**	**(39,218)**	£ **53,924**

	Gross premiums written 2019 £'000	Gross premiums earned 2019 £'000	Gross claims incurred 2019 £'000	Gross operating expenses 2019 £'000	Re-insurance balance 2019 £'000
Direct Insurance					
Accident and health	1,879	1,879	(3,895)	(113)	1,582
Motor	16,129	16,129	(16,090)	(689)	2,372
Marine, aviation and transport	51,724	51,724	(105,306)	(3,136)	42,517
Credit and surety	82	82	(58)	(2)	-
Fire and other damage to property	65,804	65,804	(88,663)	(2,673)	25,427
Third party liability	223,124	223,124	(263,696)	(4,533)	72,115
	358,742	358,742	(477,708)	(11,146)	144,013
Reinsurance acceptances	72,268	72,268	(32,438)	(19,060)	(1,500)
Total	£ **431,010**	£ **431,010**	£ **(510,146)**	**(30,206)**	£ **142,513**

9. Net Operating Expenses

	2020 £'000	2019 £'000
Administrative expenses	38,069	29,585
Commissions payable	(7,831)	(643)
Deferred Acquisition Costs	3,954	-
Less: recovered under reinsurance protection agreements	(15,222)	(17,082)
	£ **18,970**	£ **11,860**

Details of Staff costs for the 2020 financial year and are shown below for RiverStone Management. No costs are included here for Neon Management Services Limited as it was acquired on 31st December 2020:

		2020 £'000		2019 £'000
Wages and salaries		21,386		21,279
Social security costs		4,086		2,947
Other pension costs		7,766		15,261
Share based payment expense		876		1,974
	£	**34,114**	£	**41,461**

The average monthly number of employees of the Group, by main activity, during the year was made up as follows:

	2020 No.	2019 No.
Office and management	29	29
Claims	92	92
Operations	30	29
Services	44	42
Financial and actuarial	28	31
	223	**223**

The Company had no employees.

The contracts of employment of the U.K. executive Directors and employees are with RiverStone Management. Emoluments paid by RiverStone Management to the Directors of the Company in respect of their services as directors of the Company and its subsidiaries are summarised below.

		2020 £'000		2019 £'000
Aggregate emoluments	£	**1,516**	£	**1,188**

Retirement benefits are accruing to two directors (2019: two) under a defined benefit pension scheme.

During the year no directors exercised share options (2019: one former director and no active directors).

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

		2020 £'000		2019 £'000
Aggregate emoluments	£	**1,138**	£	**975**

As at 31st December 2020 a pension of £71,500 per annum (2019: £66,000) was accrued under a defined benefit pension scheme for the highest paid Director.

No emoluments were paid by to any Directors for their services to this entity and their remuneration is based upon their services to all group entities that they are directors of. The Company has not been charged any amount for the remuneration of any director during the year (2019: nil).

Key management compensation includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

		2020 £'000		2019 £'000
Salaries and other short-term benefits		1,943		1,578
Post-employment benefits		161		165
	£	**2,104**	£	**1,743**

10. Auditors' Remuneration

		2020 £'000		2019 £'000
Audit		1,457		828
Audit related assurance services		62		52
Other non-audit services		133		138
	£	**1,652**	£	**1,018**

The disclosure includes £542,000 of audit remuneration in respect of the audit of GAI Bermuda Holding Limited and its subsidiaries ("Neon Group").

11. Investment Return

		2020 £'000		2019 £'000
Investment income				
Income from available for sale financial assets		-		127
Income from financial assets at fair value through profit and loss – designated upon initial recognition		10,334		15,862
Deposit interest		69		306
Income from treasury bills		3,879		5,629
Interest from affiliated company		8,450		8,468
Expense ceded under reinsurance contract		-		(472)
	£	**22,732**	£	**29,920**
Realised (losses)/gains on investments				
Financial assets at fair value through profit and loss:				
Held for trading		(30,923)		11,908
Available for sale financial assets		-		1,280
	£	**(30,923)**	£	**13,188**

12. Other Income

	2020 £'000	2019 £'000
Amortisation of Negative Goodwill	3,737	-
Defined benefit pension scheme current service cost	1,900	995
Income earned on provision of Funds at Lloyd's capital to group undertaking	1,242	1,374
Other	200	135
	£ 7,079	£ 2,504

13. Other Charges

	2020 £'000	2019 £'000
Impairment of Goodwill	(49,061)	-
Interest Payable on inter-available and third party FAL capital	(4,784)	(5,703)
Defined benefit pension scheme current service cost	(1,900)	(995)
	£ (55,745)	£ (6.698)

14. Investment Expenses and Charges

	2020 £'000	2019 £'000
Investment Expenses	£ 3,535	£ 3,834

15. Tax on (loss)/profit

(a) Tax on (loss)/profit

	2020 £'000	2019 £'000
Current tax		
UK corporation tax at 19% (2019: 19%) based on the (loss)/profit for the year	(3,349)	7,921
Withholding tax	322	410
Prior year adjustment	(615)	(555)
Total current tax (credit) /charge	(3,642)	7,776
Deferred tax		
Origination and reversal of timing differences	2,958	4,115
Total tax (credit)/charge	£ (684)	£ 11,891

(b) Tax expense included in Other Comprehensive (expense)/Income

		2020 £'000		2019 £'000
Deferred tax				
Origination and reversal of timing differences	£	(5,369)	£	717

(c) Factors affecting the tax charge for the year

The corporation tax assessed for the year is higher than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

		2020 £'000		2019 £'000
(Loss) / Profit before tax	£	(65,088)	£	75,244
(Loss)/Profit before tax multiplied by the UK corporate tax rate of 19% (2019: 19%)		(12,367)		14,296
Non-taxable dividend income		(484)		(904)
Expenses not deductible for tax purposes		8,867		1,699
Results not yet taxed		2,526		-
Available for sale investment movements		33		33
Tax effect of rate changes		-		(491)
Capital allowances claim		(135)		(162)
Withholding tax		322		410
Tax on overseas earnings		(11)		64
Change in deferred tax rate from prior year		650		-
Group relief claimed for nil consideration		-		(302)
Tax rate differential on income and losses outside of the UK		395		-
Unwind of defined benefit pension scheme		-		(2,197)
Prior year adjustment		(480)		(555)
Total tax (credit)/charge for the year	£	(684)	£	11,891

Tax rate changes

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements

16. Tangible Assets

	Fixtures and Fittings £'000	Motor Vehicles £'000	Leasehold Improvements £'000	Total £'000
At 1 January 2020				
Cost	139	11	926	1,076
Accumulated depreciation	(67)	(11)	(532)	(610)
Net book amount	**72**	-	**394**	**466**
Year ended 31 December 2020				
Additions	157	-	348	505
Acquisitions	1,101	-	200	1,301
Depreciation	(52)	-	(162)	(214)
Closing net book amount	**1,206**	-	**386**	**1,592**
At 31 December 2020				
Cost	1,397	11	1,474	2,882
Accumulated depreciation	(119)	(11)	(694)	(824)
Net book amount	**1,278**	-	**780**	**2,058**

17. Other Financial Investments

(a) Other Financial Investments by Category

	Market Value 2020 £'000	Market Value 2019 £'000	Historic Cost 2020 £'000	Historic Cost 2019 £'000
Financial Assets – at fair value through profit and loss				
Shares and other variable-yield securities and units in unit trusts - designated at fair value through profit and loss on initial recognition	321,209	298,944	353,527	312,022
Debt securities and other fixed interest securities designated at fair value through profit and loss on initial recognition	844,850	726,309	850,967	743,139
Deposits with credit institutions	800	712	800	712
Derivative financial instruments - at fair value through profit and loss, held for trading	6,292	11,322	75	75
	£ 1,173,151	**£ 1,037,287**	**£ 1,205,369**	**£ 1,055,948**
Available for sale				
Debt securities and other fixed income securities	-	20	-	1
	£ 1,173,151	**£ 1,037,307**	**£ 1,205,369**	**£ 1,055,949**
Financial Liabilities				
Derivative financial instruments - at fair value through profit and loss, held for trading	**£ 4,983**	**£ 864**	£ -	£ -

(b) Listed Investments

Included in carrying values of financial assets above are amounts in respect of listed investments as follows:

	2020 £'000	2019 £'000
At fair value through profit and loss		
Debt securities and other fixed-income securities designated at fair value through profit or loss upon initial recognition	208,927	314,587
Equity shares	260,446	224,417
Available for sale	**469,373**	**539,004**
Debt securities and other fixed-income securities	-	20
Total listed investments	**£ 469,373**	**£ 539,024**

(c) Derivative Financial Instruments at Fair Value through Profit and Loss

	Market Value 2020 £'000	Market Value 2019 £'000	Historic Cost 2020 £'000	Historic Cost 2019 £'000
Derivative financial instruments assets				
Foreign currency forward contracts	6,247	11,268	-	-
Inflation linked swap contracts	45	54	75	75
	£ 6,292	**£ 11,322**	**£ 75**	**£ 75**
Derivative financial instruments liabilities				
Foreign currency forward contracts	4,983	864	-	-
Short forward – Government bonds	-	-	-	-
	£ 4,983	**£ 864**	**£ -**	**£ -**

The foreign currency forward contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for USD: GBP.

	Market Value		Contract/Notional Amount	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Foreign currency contracts	**£ 1,264**	**£ 10,404**	**£ 445,217**	**£ 669,476**

(d) Disclosures of Fair Values in Accordance with the Fair Value Hierarchy

	Level 1 2020 £'000	Level 2 2020 £'000	Level 3 2020 £'000	Total 2020 £'000
At fair value through profit and loss				
Debt securities and other fixed-income securities designated at fair value through profit or loss upon initial recognition	629,931	198,305	16,614	844,850
Equity shares	161,257	143,247	16,705	321,209
Derivative financial instruments at fair value through profit or loss, held for trading	-	97	6,195	6,292
Deposits with credit institutions	800	-	-	800
Available for sale				
Debt securities and other fixed-income securities	-	-	-	-
Total	**£ 791,988**	**£ 341,649**	**£ 39,514**	**£ 1,173,151**

	Level 1 2019 £'000	Level 2 2019 £'000	Level 3 2019 £'000	Total 2019 £'000
At fair value through profit and loss				
Debt securities and other fixed-income securities designated at fair value through profit or loss upon initial recognition	404,536	306,484	15,289	726,309
Equity shares	176,531	87,084	35,329	298,944
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	11,322	11,322
Deposits with Credit Institutions	712	-	-	712
Available for sale				
Debt securities and other fixed-income securities	-	20	-	20
Total	**£ 581,779**	**£ 393,588**	**£ 61,940**	**£ 1,037,307**

Level 3 investments valuations are based on third party broker quotes.

(e) Level 3 Pricing

Level 3 valuation techniques are used by RiverStone Holding's subsidiaries' investment manager's independent pricing service providers and third party broker-dealers and include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. The investment manager assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets, where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk free rate).

(f) Reconciliation of Movements in Level 3 Financial Investments Measured at Fair Value

	At Fair Value Through Profit and Loss			Available for Sale	
	Debt Securities 2020 £'000	Equity Shares 2020 £'000	Derivatives 2020 £'000	Equity Shares 2020 £'000	Total 2020 £'000
At 1 January	15,289	35,329	11,322	-	61,940
Total gains/(losses) recognised in the profit and loss account	4,496	(7,377)	(5,127)	-	(8,008)
Purchases	9,657	412	-	-	10,069
Sales	(14,741)	(13,095)	-	-	(27,836)
Assets Acquired through Company Purchase	1,913	1,436	-	-	3,349
Total	**£ 16,614**	**£ 16,705**	**£ 6,195**	**£ -**	**£ 39,514**

	At Fair Value Through Profit and Loss			Available for Sale	
	Debt Securities 2019 £'000	Equity Shares 2019 £'000	Derivatives 2019 £'000	Equity Shares 2019 £'000	Total 2019 £'000
At 1 January	16,423	30,445	3,282	-	50,150
Total (losses)/gains recognised in the profit and loss account	(1,134)	3,246	8,040	-	10,152
Purchases	-	2,023	-	-	2,023
Sales	-	(385)	-	-	(385)
Assets Acquired through Company Purchase	-	-	-	-	-
Total	**£ 15,289**	**£ 35,329**	**£ 11,322**	**£ -**	**£ 61,940**

Total losses of £8 million (2019: gains of £10.2 million) comprise realised losses of £5 million (2019: nil) and unrealised losses of £3 million (2019: gains of £10.2 million) on Level 3 financial investments held during the year, all of which are presented in the net investment return in the profit and loss account.

There were no transfers from Level 2 to Level 3 during the year (2019: transfer between Level 2 to 3, with a market value of £Nil).

There were no transfers between Level 3 and Level 1, or between Levels 1 and 2 during the year.

(g) Collateralised Investments

The Group has outstanding letters of credit, guarantees and deposits of £459,405,804 (2019: £231,867,323) issued in favour of cedants and certain other creditors collateralised by investments and cash with a market value of £366,971,982 and cost of £361,159,741 (2019: market value £259,594,373 and a cost of £290,518,577).

18. Pension Costs

Defined Benefit Scheme

RiverStone Holdings is the principal employer for the Group's defined benefit scheme ("the Plan"). The Plan was closed to new entrants with effect from 1st January 2003 and its funds are administered by trustees. The Plan is non-contributory for members. The Plan's statutory funding objective is to hold sufficient and appropriate assets to cover its technical provisions. Company contributions are paid to the Plan in accordance with the recommendations of an independent actuarial advisor. As the Plan is closed to new entrants, under the method used to calculate pension costs in accordance with FRS102, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

The last full actuarial valuation of the Plan was carried out as at 31st March 2020. The results from the 31st March 2020 actuarial valuation have been updated to 31st December 2020, in line with the requirements of FRS102, and to reflect changes in market conditions, in order to measure the defined benefit obligation as at 31st December 2020. The principal actuarial assumptions used in the measurement of the defined benefit obligation as at 31st December 2020 are as follows:

	31st December 2020	**31st December 2019**
RPI inflation (pre/post 2030)	2.94%/2.84%	2.9%/2.9%
CPI inflation (pre/post 2030)	1.94%/2.74%	2.1%/2.1%
Discount rate	1.4%	2.2%
Rate of increase in salaries	3.8%	3.8%
Pension increases in payment (RPI capped at 5%)	2.89%/2.80%	2.8%/2.8%
Pension increases in payment (RPI capped at 2.5%)	2.10%/2.06%	2.0%/2.0%
Pension increases in payment (CPI capped at 5%)	2.00%/2.71%	2.1%/2.1%
Pension increases in payment (CPI capped at 3%)	1.79%/2.27%	1.9%/1.9%

The net amount included in the balance sheet of RiverStone Holdings arising from the Group's obligations in respect of the Plan is as follows for 2020:

	31st December 2020 £'000	**31st December 2019 £'000**
Present value of defined benefit obligation	(140,847)	(117,052)
Fair value of plan assets	135,267	136,922
Surplus included in balance sheet	**£ (5,580)**	**£ 19,870**

Changes in the present value of the total Plan defined benefit obligation are as follows:

		2020 Total £'000
Opening defined benefit obligation		117,052
Employer's part of current service cost		1,283
Interest expense		2,552
Contributions from plan members		-
Actuarial loss		25,060
Benefits paid		(5,100)
Past Service costs/plan amendments		-
Closing defined benefit obligation	£	**140,847**

Changes in the fair value of the total Plan assets are as follows:

		2020 Total £'000
Opening fair value of plan assets		136,922
Interest income		3,062
Plan administration expenses		(398)
Actuarial loss		(5,149)
Contributions by the employer		5,930
Contributions by plan members		-
Benefits paid		(5,100)
Closing fair value of plan assets	£	**135,267**

The total amounts recognised in the Profit and Loss Account of RiverStone Holdings in 2020 are as follows:

		2020 £'000		2019 £'000
Employer's part of current service cost		1,283		1,222
Employer's part of past service cost		-		-
Gain on settlements and curtailments		-		-
Net interest income		(510)		(492)
Plan administration expenses		398		265
Total expense included in profit and loss account	£	**1,171**	£	**995**

The current allocation of the Plan's assets is as follows:

		2020 £'000
Equity instruments		90,369
Cash and short-term		44,898
	£	**135,267**

The Plan does not have any employer-related investments.

The total actual return on the Plan's assets over the year was a loss of £2.1 million (2019: £14.6 million gain).

On 26th February 2021, following a consultation with the affected employees of the Plan in accordance with the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendments) Regulations 2006 and having carefully considered all responses from the affected employees, RiverStone Holdings Limited entered into a deed of amendment with the trustees of the Plan, pursuant to which the Plan was closed to future accrual of benefits on and from end of 28th February 2021.

RiverStone Management, the management company of RiverStone Holdings', operates two pension schemes, a defined benefit scheme and a defined contribution scheme.

Defined Contribution Scheme

With effect from 1st January 2003, all new staff are eligible to join a new defined contribution scheme. Company contributions under this scheme are a percentage of salary. This percentage varies according to the age of the member of staff concerned.

The costs incurred by RiverStone Management under the scheme during the year were £1,836,000 (2019: £1,778,000). Outstanding company contributions payable at 31st December 2020 were £140,000 (2019: £148,000). These contributions have since been paid.

Neon Management Services Limited also operates a defined contribution scheme.

19. Reinsurers' Share of Technical Provisions – Claims Outstanding

Included within reinsurer's share of technical provisions – claims outstanding are amounts recoverable from a number of affiliated companies of £410.4 million (2019: £500.1 million) in respect of quota share and adverse development cover reinsurance contracts.

20. Debtors Arising Out of Direct Insurance Operations

	2020 £'000	2019 £'000
Amounts owed by intermediaries	£ **40,408**	£ **6,697**

21. Debtors Arising Out of Reinsurance Operations

	2020 £'000	2019 £'000
Amounts owed by reinsurers and intermediaries	101,054	57,139
Amounts owed by group undertakings	-	19,465
	£ **101,054**	£ **76,604**

22. Deferred Taxation

		2020 £'000		2019 £'000
Asset at 1st January 2020		-		-
Recognition of future timing differences		6,022		-
Asset at 31st December 2020	£	**6,022**	£	-

23. Other Debtors

		2020 £'000		2019 £'000
Amounts owed by group undertakings		2,027		104,368
Affiliated Loan Receivable		97,969		-
Receivable for securities sold		270		3,093
Insurance premium taxes		623		662
Tax		3,654		5,305
Prepayments and accrued income		1,000		821
Other debtors		28,408		232
	£	**133,951**	£	**114,481**

24. Called up Share Capital

Allotted		2020		2019
46,606,341 (2019: 46,606,341) Ordinary Shares of £1	£	**46,606,341**	£	**46,606,341**
433,404,620 (2019: 433,404,620) Ordinary Shares of $1	$	**433,404,620**	$	**433,404,620**
68,432,731 (2019: 68,432,731) Ordinary Shares of $0.88	$	**60,220,803**	$	**60,220,803**

In all respects Ordinary US Dollar Shares of $1 each and Ordinary US Dollar Shares of $0.88 each rank pari passu with the Ordinary Sterling Shares.

Total allotted and fully paid		2020 £'000		2019 £'000
46,606,341 (2019: 46,606,341) Ordinary Shares of £1		46,606		46,606
433,404,620 (2019: 348,404,620) Ordinary Shares of $1		332,692		332,692
68,432,731 (2019: 68,432,731) Ordinary Shares of $0.88		46,180		46,180
	£	**425,478**	£	**425,478**

25. Creditors Arising Out of Direct Insurance Operations

		2020 £'000		2019 £'000
Amounts owed by intermediaries	£	13,116	£	-

26. Creditors Arising Out of Reinsurance Operations

		2020 £'000		2019 £'000
Balances owed to cedants and intermediaries		66,007		40,892
Amounts owed to group undertaking		28,159		36,808
	£	**94,166**	£	**77,700**

27. Other Creditors Including Tax and Social Security

		2020 £'000		2019 £'000
Tax		876		3,956
Accruals and deferred income		28,242		-
Amounts owed to group undertaking		19,942		7,319
Contingent consideration		1,356		-
Other Creditors		16,853		12,526
	£	**67,269**	£	**23,801**

28. Deferred Taxation

		2020 £'000		2019 £'000
Asset at 1st January 2020		6,401		2,400
Recognition of future timing differences		(1,936)		4,001
Asset at 31st December 2020	£	**4,465**	£	**6,401**

The deferred tax provision comprises the timing difference in respect of the net amount recorded on the balance sheet for the defined benefit pension scheme and is based on a future tax rate of 19% (2019: 17%).

29. Share Based Payments

RiverStone Management participates in a Fairfax group share plan whereby options to acquire shares in Fairfax at a nil exercise price have been granted to certain of its employees. The vesting period of options currently granted but not exercised ranges from five to ten years and once the options have vested, they are required to be exercised within five years. Options vest in full on the retirement of the employee and vest in part on a pro rata basis on death or as a result of the employee becoming unable to fulfil his employment obligations due to a disability. Options lapse if an employee ceases to be employed by RiverStone Management, or another company within the Fairfax group, for any reason other than retirement, death or disability.

Details of options granted by RiverStone Management which remain outstanding at the end of the year are as follows:

	2020 No.	2019 No.
Outstanding 1st January	25,650	19,506
Granted during the year	4,767	3,128
Allocated during the year	(57)	-
Exercised during the year	(505)	(3,239)
Transfers from other group companies	218	6,255
Outstanding 31st December	**30,073**	**25,650**
Exercisable at 31st December	**11,613**	**9,011**
	Years	**Years**
Weighted average remaining contractual life of options outstanding at 31st December	**0.3**	**0.3**

The fair value of the compensation expense for the services received recorded in the Profit and Loss Account and the liability incurred is determined by reference to the market share price of the underlying Fairfax shares. The total compensation expense for 2020 was £876,000 (2019: expense of £1,974,000). The total liability at the end of the year, which is included within Other Creditors on the balance sheet, was £5,317,000 (2019: £6,397,000). Of this amount £3,458,000 (2019: £3,197,000) relates to shares that have fully vested.

The weighted average fair value of options granted in the year is £199 (2019 £346).

During the year, 218 options were transferred to the Group for net book value from an affiliate group company.

The existing options will vest in full upon the successful completion of the subsequent event disclosed in Note 37. The individuals to whom options have been granted will have 15 years to exercise the options to acquire Fairfax shares from the date on which this vesting occurs.

30. Other Financial Commitments

At 31st December 2020, the Group was committed to making the following minimum payments under non-cancellable operating leases for each of the following periods:

	2020 £'000	2019 £'000
Within one year	3,580	1,660
Between one and five years	12,055	7,973
Over five years	10,688	10,538
	£ **26,323**	£ **20,171**

31. Business Combinations

On 30th May 2020, RiverStone Holdings entered into a share purchase agreement with a leading marine insurance group to acquire 100% of the share capital of two Lloyd's corporate members and a Bermudan special purpose reinsurer. These two corporate members provide the majority of the capital for the 2018 and 2019 years of account of Lloyd's Syndicate 1897, which was placed into run-off in July 2019. This transaction completed on 11th September 2020.

The following table summarises the consideration paid by the Group, the fair value of the assets acquired and liabilities assumed at the acquisition date of all three entities:

	Book Value of Net Assets on Acquisition £m	Adjustments £m	Adjusted Net Assets £m
Assets			
Investments	54.9	-	54.9
Reinsurers share of technical provisions - Claims outstanding	7.1	-	7.1
Reinsurers share of technical provisions - Unearned Premium	0.1	-	0.1
Debtors	3.8	-	3.8
Cash at Bank and in Hand	20.4	-	20.4
Prepayments and Accrued income	1.5	-	1.5
Liabilities			
Technical Provisions - Claims Outstanding	(67.9)	-	(67.9)
Technical Provisions - Unearned Premiums	(2.0)	-	(2.0)
Creditors	(6.9)	-	(6.9)
Net Assets	**11.0**	-	**11.0**
Total Consideration			**7.3**
Negative goodwill arising on acquisition		£	**3.7**

Total consideration was 100% cash. For cash-flow disclosure purposes the net cash inflow was £13.1 million. No adjustments have been deemed to be required to the book value acquired.

On 26th September 2020, RiverStone Holdings entered into a share purchase agreement with American Financial Group Inc. to acquire 100% of the share capital of GAI Bermuda Holding Limited and all of its subsidiaries ("Neon Group"). The Neon Group comprises a series of entities including those which provide 100% of the capital support for Lloyd's Syndicate 2468, which was placed into run-off in January 2020. This transaction completed on 31st December 2020.

The following table summarises the consideration paid by the Group, the fair value of the assets acquired and liabilities assumed at the acquisition date of all three entities:

	Book Value of Net Assets on Acquisition £m	Adjustments £m	Adjusted Net Assets £m
Assets			
Investments	129.3		129.3
Reinsurers share of technical provisions - Claims Outstanding	140.5	11.1	151.6
Reinsurers share of technical provisions - Unearned Premium	5.7	4.1	9.8
Debtors	56.7	4.9	61.6
Intangible Assets	0.2	(0.2)	-
Cash at Bank and in Hand	202.9	-	202.9
Prepayments and Accrued income	7.0	(7.0)	-
Liabilities			
Technical Provisions - Claims Outstanding	(468.6)	(35.2)	(503.8)
Technical Provisions - Unearned Premiums	(35.7)	0.8	(34.9)
Creditors	(55.7)	-	(55.7)
Net (Liabilities)	**(17.7)**	**(21.5)**	**(39.2)**
Total Consideration			**8.9**
Goodwill arising on acquisition		**£**	**48.1**

Total consideration comprises:

	£m
Cash	3.0
Deferred Consideration	1.4
Other Liabilities incurred by acquirer to former owner	4.5
	8.9

For cash-flow disclosure purposes the net cash inflow was £199.9 million.

The adjustments arising on acquisition were in respect of the following:

- A fair value adjustment in respect of outstanding claims represents a reassessment of the level of outstanding claims at the date of acquisition.
- A fair value adjustment in respect of unearned premiums and deferred acquisition costs which represents a reassessment of the level of these provisions at the date of acquisition.
- The 100% amortisation of intangible assets deemed to no longer provide any useful economic benefit to the Group.

32. Litigation and Contingent Liabilities

The Group is regularly involved, directly or indirectly, in litigation in the ordinary course of conducting its business including certain cases relating to asbestos and environmental pollution claims, as more fully described in Note 4. In the judgment of the Directors, none of these cases, individually or collectively, are likely to result in judgments for amounts which, net of loss and loss adjustment expense reserves previously established and reinsurance recoverables which the Group believes are probable of realisation, would have a material effect on the financial position of the Group.

RiverStone Holdings has provided letters of support to RiverStone Management and RiverStone Managing Agency Limited whereby funds will be made available to this company to ensure liabilities are met as they fall due for payment. RiverStone Holdings has also provided a guarantee to third party financial institutions, in respect of letters of credit provided to RiverStone Corporate Capital.

33. Investments in Group Undertakings

RiverStone Holdings directly owns all of the ordinary issued share capital of the following companies (none of which are listed). Under FRS 102, the carrying value of the investments in subsidiary undertakings on the balance sheet of RiverStone Holdings is based on a cost less impairment accounting policy.

	Address of Registered Office	Cost less impairment Restated at 1st Jan 2020 £'000	Acquisitions £'000	Liquidation £'000	Cost less impairment at 31st Dec 2020 £'000
RiverStone Management Limited Run-off Agency	Park Gate, 161-163 Preston Road, Brighton, BN1 6AU	632	-	-	632
Sphere Drake Leasing Limited Leasing Company	Park Gate, 161-163 Preston Road, Brighton, BN1 6AU	171	-	(171)	-
RiverStone Corporate Capital Limited Corporate member at Lloyd's	Park Gate, 161-163 Preston Road, Brighton, BN1 6AU	15,350	-	-	15,350
RiverStone Corporate Capital 2 Limited Corporate member at Lloyd's	Park Gate, 161-163 Preston Road, Brighton, BN1 6AU	358	-	-	358
RiverStone Insurance (UK) Limited General Insurance	Park Gate, 161-163 Preston Road, Brighton, BN1 6AU	309,416	-	-	309,416
RiverStone Managing Agency Limited Lloyd's Agency	Park Gate, 161-163 Preston Road, Brighton, BN1 6AU	11	-	-	11
RiverStone Reinsurance (Bermuda) Limited	RiverStone Reinsurance (Bermuda) Limited, Clarence House, 2 Church Street, Hamilton HM 11, Bermuda	-	7,297	-	7,297
RiverStone Corporate Capital 3 Limited	Park Gate, 161-163 Preston Road, Brighton, BN1 6AU	-	2,074	-	2,074
RiverStone Corporate Capital 4 Limited	Park Gate, 161-163 Preston Road, Brighton, BN1 6AU	-	373	-	373
GAI Bermuda Holdings Limited	GAI Bermuda Holdings Limited, 22 Victoria Street Hamilton, Bermuda	-	-	-	-
		325,938	**9,744**	**(171)**	**335,511**

The Company has restated prior year investment in group undertakings at cost less impairment as detailed in note 3(b).

Sphere Drake Leasing Limited was liquidated during 2020 paying a £171,000 liquidating dividend upon wind-up.

All subsidiaries are included in the consolidation. All subsidiaries are incorporated within Great Britain with the exception of RiverStone Reinsurance (Bermuda) Limited and GAI Bermuda Holding Limited which are incorporated in Bermuda.

RiverStone Corporate Capital 2 and GAI Bermuda Holdings are exempt from audit of their financial statements for the year ended 31st December 2020, under section 479A of the Companies Act 2006.

34. Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	£ 9,724	£ 7,847

RiverStone Holdings has no creditors which are subject to security arrangements.

35. Related Party Transactions and Immediate and Ultimate Parent Company

RiverStone Holdings Limited, is the holding company of the RiverStone Group, and is registered in England and Wales. The ultimate parent company and controlling party is RiverStone Barbados Limited ("RiverStone Barbados") which is registered in Barbados.

The Company accepted inwards reinsurance business from affiliated companies, all transactions with these parties were conducted at arm's length and at normal commercial terms as detailed below:

	2020 £'000	2019 £'000
Brit Syndicate 2987	£ 28,745	£ 31,215

Ceded outwards reinsurance premiums are nil in the current and prior period, related reinsurance recoveries to and from affiliated companies are set out in the table below:

Reinsurance recoveries

	2020 £'000	2019 £'000
Wentworth Insurance Company Limited	£ 25,211	£ 33,081

The Company paid investment management fees to HWIC of £3.3 million (2019: £3.6 million).

RiverStone Holdings is the smallest and largest group of undertakings to consolidate these financial statements and its registered office is Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU. The financial statements of RiverStone Holdings can be obtained from the Corporate Secretary at this address or from the website at www.rsml.co.uk.

36. Company information

On 31st March 2020, Fairfax Financial Holdings Limited ("Fairfax") sold a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System (''OMERs''), the pension plan manager for government employees in the province of Ontario. The European Run-off group includes RiverStone Holdings and its subsidiaries. Upon completion of the transaction, OMERs and Fairfax have joint control of the European Run-off group. Accordingly, Fairfax have deconsolidated the European Run-off group and have applied the equity method of accounting for its remaining equity interest.

RiverStone Holdings is registered in England and Wales. The ultimate parent company is RiverStone Barbados Limited ("RiverStone Barbados") which is registered in Barbados. The registered office of RiverStone Barbados is 12 Pine Commercial, The Pine, St. Michael Barbados BB11103

37. Subsequent Events

On 20th December 2020, Fairfax entered into a binding agreement with CVC Capital Partners to sell all of its equity interest in the European Run-off group to CVC Strategic Opportunities Fund II. OMERS has also agreed to sell all its interests the European Run-off group as part of the transaction. The transaction is subject to regulatory approval.

Effective 1st January 2021, Syndicate 3500, part of RiverStone holdings, entered into the following transactions:

- the reinsurance to close of the 2018 and prior underwriting years of account liabilities of Syndicate 780. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of £132.1 million and £84.6 million, respectively;
- the reinsurance to close of the 2018 and prior underwriting years of account liabilities of Syndicate 1897. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of £58.1 million and £54.1 million, respectively;
- the loss portfolio transfer reinsurance of the 2019 underwriting year of account liabilities of Syndicate 1897. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of £13 million and £12.8 million respectively;
- the reinsurance to close of the 2017 and prior underwriting years of account liabilities and the reinsurance to close of the 2018 and prior underwriting years of two separate third party Lloyd's syndicates. These transactions result in the transfer to Syndicate 3500 of gross and net technical provisions of £818.5 million and £632.8 million, respectively.

On 26th January 2021, Riverstone Holdings increased its authorised 'A' ordinary share capital to USD $1 billion and on the same date the Company issued USD 113 million ordinary 'A' shares to Riverstone Barbados.

On 8th February 2021, Riverstone Holdings issued a further 9,824,552 $1 ordinary shares to RiverStone Barbados in exchange for an asset value loan note.

On 26th February 2021, following a consultation with the affected employees of the Plan in accordance with the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendments) Regulations 2006 and having carefully considered all responses from the affected employees, RiverStone Holdings Limited entered into a deed of amendment with the trustees of the Plan, pursuant to which the Plan was closed to future accrual of benefits on and from end of 28th February 2021.