

COMPANY NO. 1167327

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

RiverStone Insurance (UK) Limited

2021 Annual Report

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RiverStone Insurance (UK) Limited (Company No. 1167327)
Annual Report
For the year ended 31st December 2021

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RiverStone Insurance (UK) Limited (Company No. 1167327)
Directors and Administration
For the year ended 31st December 2021

Directors

A. J. E. Masterson - Independent Non-Executive Director
T. A. Riddell - Independent Non-Executive Chairman
K. Shah - Independent Non-Executive Director
M. J. Bannister
A. R. Creed
L. R. Tanzer
I.M. Hewitt (appointed 25 January 2021, resigned 31 March 2021)
C. K. Pritchard (appointed 6 April 2021)
P. Prebensen (appointed 1 September 2021)
N. S. Taylor (appointed 30 November 2021)

Company Secretaries

F. Henry

Registered Office

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

Management Company

RiverStone Management Limited

Independent Auditors

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Website

www.rsml.co.uk

RiverStone Insurance (UK) Limited (Company No. 1167327)

Strategic Report

For the year ended 31st December 2021

The Directors have pleasure in presenting the Strategic Report of RiverStone Insurance (UK) Limited ("RiverStone Insurance (UK)" or "the Company") for the year ended 31st December 2021.

Ownership

On 23rd August 2021 CVC Capital Partners ("CVC") completed the acquisition of RiverStone Europe from Fairfax Financial Holdings Limited ("Fairfax") and the Ontario Municipal Employees Retirement Scheme ("OMERS"). The RiverStone Europe Group will now operate under the name RiverStone International. Pursuant to this transaction, Gatland Bidco Limited ("BidCo"), a wholly-owned subsidiary of Gatland Holdings Jersey Limited ("Gatland"), completed the acquisition of all the outstanding shares of Riverstone Barbados Limited ("RBL").

RiverStone Insurance (UK) and its immediate parent company RiverStone Holdings Limited ("RiverStone Holdings") were wholly owned subsidiaries of Gatland.

Principal Activity

RiverStone Insurance (UK) is authorised to carry on all classes of general insurance business and is engaged in the run-off of the assets and liabilities associated with its various portfolios of insurance and reinsurance.

The operations of RiverStone Insurance (UK) are administered by RiverStone Management Limited which is a fellow subsidiary of RiverStone Holdings. RiverStone Insurance (UK) is also involved in the Lloyd's market through the reinsurance protection of Syndicate 3500. Syndicate 3500 is managed by RiverStone Managing Agency Limited, a fellow subsidiary of RiverStone Holdings. The sole corporate member of Syndicate 3500 is RiverStone Corporate Capital Limited ("RiverStone Corporate Capital") which is a fellow subsidiary of RiverStone Holdings.

RiverStone Insurance (UK) has a wholly owned subsidiary, RiverStone Luxembourg S.à.r.l, domiciled in Luxembourg. The company was disposed of on 15th December 2021 at a loss of \$41,000.

Business Review

Results and Performance

The total comprehensive income for the year set out in the profit and loss account show a profit for the financial year of \$47.6 million (2020: loss of \$18.0 million).

The balance on the technical account for general business for the year was a profit of \$19.3 million (2020: \$13.7 million).

The profit before tax amounts to \$48.3 million (2020: \$23.3 million loss) and comprises net investment gains of \$26.7 million (2020: losses of \$40.0 million), foreign exchange losses of \$3.8 million (2020: loss of \$1.0 million), the gain on the technical account for general business, plus other income of \$6.1 million.

Total shareholders' funds have increased to \$785.1 million from \$733.5 million at the end of 2020. The increase in total shareholders' funds from the end of 2020 includes the profit for the financial year of \$47.6 million and the issuance of new share capital of \$4.0 million.

During 2021, RiverStone Insurance (UK) entered into a loss portfolio transfer by reinsurance of an EEA domiciled entity, this transaction results in the transfer to RiverStone Insurance (UK) of gross and net technical provisions of \$131.7 million.

On 8th February 2021, RiverStone Insurance (UK) issued 4,012,294 \$1 ordinary shares to RiverStone Holdings in exchange for an asset value loan note.

RiverStone Insurance (UK) Limited (Company No. 1167327)

Strategic Report

For the year ended 31st December 2021

Effective 1 January 2021 RiverStone Insurance (UK) changed its functional and presentational currency to USD from GBP, as such these accounts have been restated to reflect this change.

Key Performance Measurements

RiverStone Insurance (UK) made continued progress throughout 2021 in relation to key elements of its strategy, through the continued proactive management of its existing liabilities and through the acquisition of further run-off portfolios.

The Board monitors the performance of the Company with reference to the following key measurements:

Excluding portfolios taken on during the year, gross loss reserves have decreased by 12% and reinsurance recoverables have decreased by 17%. Including portfolios taken on during the year, gross loss reserves have decreased by 2% and reinsurance recoverables have decreased by 17%.

RiverStone Insurance (UK)'s Solvency II available own funds capital as at the end of the year is \$585 million (2020: \$436.3 million) representing an SCR ratio coverage of 195%.

Strategy and Future Developments

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

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

The Board considers that the insurance operations of RiverStone Insurance (UK) 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 Insurance (UK) ("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 Insurance (UK). 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 Gatland Group Underwriting and Risk Committee and Gatland UK Risk Committee.

RiverStone Insurance (UK) 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 Insurance (UK)'s 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 Insurance (UK)'s capital is adequate to meet its business needs under the regulatory capital regime.

The principal risks faced by RiverStone Insurance (UK) 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). RiverStone Insurance (UK)'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.

RiverStone Insurance (UK) Limited (Company No. 1167327)

Strategic Report

For the year ended 31st December 2021

Much like 2020, 2021 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 at various points throughout the year. RiverStone Insurance (UK) and RiverStone Management have 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. RiverStone Insurance (UK) does not have material insurance exposure to COVID-19 related claims and its 2021 financial results have not been meaningfully impacted by this pandemic, this is consistent with the 2020 financial results.

RiverStone Insurance (UK) Limited and RiverStone Management Limited have adopted an anti-bribery and corruption policy. Any department of RiverStone Management Limited which intends to enter into a contract with a third party is required to carry out due diligence on the third party, in accordance with RiverStone's due diligence procedures. These procedures are designed to identify situations where there is a risk of bribery or corruption. Where due diligence identifies a significant risk of bribery or corruption, additional clauses are included in the contract to address the risk. All employees of RiverStone Management Limited receive annual anti-bribery and corruption training as part of their induction training and on an annual basis thereafter.

Section 172(1) of the Companies Act 2006

The Board of directors of RiverStone Insurance (UK) consider, in good faith, that they have had appropriate regard to the matters set out in section 172(1)(a) to (e) 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 2021, 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 as well as a heavy focus on training and development matters. Other activity in 2021 included a continuing increased focus on employee wellbeing, from regular promotion of support options such as counselling sessions, EAP offerings, virtual G.P. availability & health assessments. Numerous virtual sports and social events were also arranged to continue the collaborative social element they have fostered in their workplaces. Riverstone Management initiated an open forum steering group in 2019, to consider and make recommendations on matters pertaining to diversity and inclusion at Riverstone International. The Executive Management have since adopted an inclusion and diversity charter, sponsored a company-wide, inclusion and diversity survey and are in the process of responding to identified recommendations.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Strategic Report
For the year ended 31st December 2021

Business relationship Including Regulators

The Board recognises that a high standard of business conduct is essential for the deliver the delivery of our strategy and aspires to transparent communication with the company's regulators, primarily the Prudential Regulation Authority and Lloyd's. During 2021, several members of the Board have continued to have the opportunity to meet with our regulators, which continues to refresh and facilitate an understanding of their needs and expectations. Regulatory compliance is managed by a dedicated and experienced compliance team which reports to the board on a regular basis. The Board regularly engages with the CEO 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 environmental responsibility forum.. The Board has a 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
27th May 2022

RiverStone Insurance (UK) Limited (Company No. 1167327)

Directors' Report

For the year ended 31st December 2021

The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Insurance (UK) Limited (Company No. 1167327) ("RiverStone Insurance (UK)" or the "the Company") for the year ended 31st December 2021.

Directors

Directors holding office during the period from 1st January 2021 to the date of this report were:

A. J. E. Masterson - Independent Non-Executive Director
T. A. Riddell - Independent Non-Executive Chairman
K. Shah - Independent Non-Executive Director
M. J. Bannister
A. R. Creed
L. R. Tanzer
I.M. Hewitt (appointed 25 January 2021, resigned 31 March 2021)
C. K. Pritchard (appointed 6 April 2021)
P. Prebensen (appointed 1 September 2021)
N. S. Taylor (appointed 30 November 2021)

RiverStone Insurance (UK) 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 Insurance (UK) are discussed in the Strategic Report.

Dividends

RiverStone Insurance (UK) paid no interim dividends during the year (2020: nil). The Directors do not recommend a final dividend (2020: nil).

Financial Instruments

As described in Note 5 to the financial statements, RiverStone Insurance (UK) 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 RiverStone Insurance (UK) is exposed to are interest rate risk, equity risk, currency risk, credit risk and liquidity risk. RiverStone Insurance (UK) manages these risks within its overall risk management framework.

Independent Auditors

During 2021, in accordance with Section 485 of the Companies Act 2006, Deloitte LLP ("Deloitte") were appointed as the Company's registered auditor and have indicated their willingness to continue in office.

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

RiverStone Insurance (UK) Limited (Company No. 1167327)

Directors' Report

For the year ended 31st December 2021

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

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



F Henry
Company Secretary
27th May 2022

RiverStone Insurance (UK) Limited (Company No. 1167327)
Independent Auditor's Report to the Members of RiverStone Insurance (UK) Limited
For the year ended 31st December 2021

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of RiverStone Insurance (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cashflows; and,
- the related notes 1 to 25.

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

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Valuation of Claims outstanding – Incurred But Not Reported UK mesothelioma claims

Materiality

The materiality that we used in the current year was \$16.8m which was determined on the basis of 1% of total assets.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Independent Auditor's Report to the Members of RiverStone Insurance (UK) Limited
For the year ended 31st December 2021

Scoping

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

4. Conclusions relating to going concern

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.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- performing an assessment of the company's financial position and liquidity forecasting;
- assessing the current and projected levels of regulatory capital coverage; and,
- assessing the appropriateness of the going concern disclosures in the financial statements.

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 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.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of Claims outstanding – Incurred But Not Reported UK mesothelioma claims

Key audit matter description

The valuation of technical provisions is inherently a judgemental area and is classified as an area of significant risk due to the high degree of estimation involved, particularly on long tail or volatile business classes where claim development periods are longer and more unpredictable.

Due to the level of uncertainty and materiality, the incurred but not reported ("IBNR") element claims outstanding is identified as a key audit risk.

We have focused on the assumptions and methodology used by the company to value the mesothelioma IBNR provisions for UK-based claimants. Specifically, the potential future claims curve and the inflation rate are assumptions which are subject to estimation uncertainty.

Note 4(b) and 5(a) to the financial statements provides disclosure this area as a source of estimation uncertainty and judgement.

How the scope of our audit responded to the key audit matter

We have gained a detailed understanding of the end-to-end reserving process and obtained an understanding of the relevant controls over the data, methodology and assumptions, models and outputs used in reserving. We involved our actuarial specialists to assisting in performing the following procedures:

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Independent Auditor's Report to the Members of RiverStone Insurance (UK) Limited
For the year ended 31st December 2021

- Assess the appropriateness of the methodology used by management.
- Assess the reasonableness of key assumptions to derive a mesothelioma claims curve against justification of variance to previous periods and baseline asbestos, pollution and health hazard ("APH") market models;
- Challenge the claims inflation assumptions through comparison to previous periods, baseline APH market models and external benchmarks;
- Perform an analysis on actual versus estimated experience;
- Challenge management on their consideration of emerging market factors, through comparison to market practice;
- Assessing management's disclosures in Notes 4 and 5 of the financial statements describing the valuation uncertainty of the reserves.

Key observations	We have concluded that the methodology and assumptions used by the company to value IBNR are reasonable. We have considered the adequacy of the disclosure in Notes 4 and 5 which explains the group's exposure to UK disease claims, particularly arising from mesothelioma and the significant uncertainties that arise from this business.
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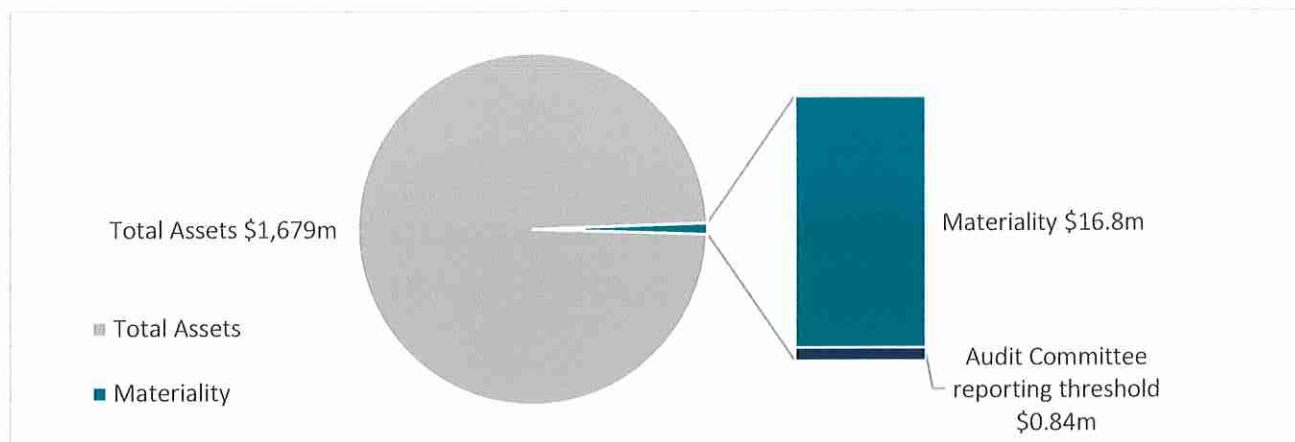
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	\$16.8m
Basis for determining materiality	1% of Total Assets
Rationale for the benchmark applied	The principal activity of the company is the management of existing liabilities for its run-off portfolios, as well as acquisition of further run-off portfolios (which come with additional assets). Total assets is therefore a key metric showing the ability of the company to meet its liabilities.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Independent Auditor's Report to the Members of RiverStone Insurance (UK) Limited
For the year ended 31st December 2021



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit. In determining performance materiality, we considered the following factors:

- the consistency of the company's control environment and management team;
- the results from our planning procedures including our preliminary analytical reviews; and,
- given this is our first year as auditor, the limitation to assess of the likelihood of uncorrected misstatements from prior periods recurring in the current period.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$840,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtained an understanding of the entity and its environment, including internal controls, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Independent Auditor's Report to the Members of RiverStone Insurance (UK) Limited
For the year ended 31st December 2021

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's 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 auditor's 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.

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 auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT, and actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Independent Auditor's Report to the Members of RiverStone Insurance (UK)
Limited
For the year ended 31st December 2021

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of claims outstanding – Incurred But Not Reported UK mesothelioma claims. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax legislation, the Financial Conduct Authority ("FCA") Handbook and the Prudential Regulatory Authority ("PRA") Rulebook.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory solvency requirements following the Solvency II 2009 Directive.

11.2. Audit response to risks identified

As a result of performing the above, we identified Valuation of Claims outstanding – Incurred But Not Reported UK mesothelioma claims as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, PRA and the FCA;
- assessing management's own internal risk and compliance reporting; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Independent Auditor's Report to the Members of RiverStone Insurance (UK) Limited
For the year ended 31st December 2021

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 30 June 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Adam Ely, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

27 May 2022

RiverStone Insurance (UK) Limited (Company No. 1167327)
Profit and Loss Account
For the year ended 31st December 2021

	Note	2021 \$'000	2020* \$'000
Technical Account – General Business			
Gross premiums written	8	147,451	(1,172)
Outward reinsurance premiums		<u>3,067</u>	<u>1,122</u>
Net premiums written and earned		<u>150,518</u>	<u>(50)</u>
Gross claims paid		(65,674)	(95,397)
Reinsurers' share		<u>27,828</u>	<u>43,396</u>
Net claims paid		<u>(37,846)</u>	<u>(52,001)</u>
Change in the gross provision for claims		3,150	148,341
Reinsurers' share		<u>(59,712)</u>	<u>(56,975)</u>
Change in the net provision for claims		<u>(56,562)</u>	<u>91,366</u>
Claims incurred, net of reinsurance		(94,408)	39,365
Net operating expenses	9	<u>(36,834)</u>	<u>(25,613)</u>
Total technical charges, net of reinsurance		<u>(131,242)</u>	<u>13,751</u>
Balance on the technical account for general business		19,276	13,701
Non-Technical Account			
Investment income	11	23,084	23,872
Realised (losses) gains on investments	11	6,910	(39,932)
Unrealised gains on investments		91,133	33,464
Unrealised losses on investments		(63,927)	(48,891)
Other income	12	6,074	1,354
Foreign exchange losses		(3,788)	(1,009)
Investment expenses and charges	13	(2,495)	(3,142)
Foreign exchange (losses) gains on derivative contracts		<u>(27,956)</u>	<u>(2,762)</u>
Profit (loss) before tax		48,311	(23,345)
Tax on (loss)/profit	14	<u>(707)</u>	<u>5,352</u>
Profit (loss) for the financial year		\$ <u>47,604</u>	\$ <u>(17,993)</u>

*Restated, see note 3(e) for further details

The results above are all derived from continuing operations.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Statement of Comprehensive Income
For the year ended 31st December 2021

	Note	2021 \$'000	2020* \$'000
Profit (loss) for the financial year		47,604	(17,993)
Movement on other reserves		-	(7)
Foreign exchange gains (losses)		-	22,060
Total comprehensive income for the year		\$ 47,604	\$ 4,060

*Restated, see note 3(e) for further details

RiverStone Insurance (UK) Limited (Company No.1167327)

Balance Sheet

As at 31st December 2021

	Note	2021 \$'000	2020* \$'000
Assets			
Fixed Assets			
Investments in subsidiary undertakings	15	-	15
Investments			
Other financial investments	16	919,798	1,086,839
Reinsurers' share of technical provisions			
Claims outstanding	7,17	308,444	372,197
Debtors			
Debtors arising out of direct insurance operations	18	23,775	1,109
Debtors arising out of reinsurance operations	19	92,006	91,484
Other debtors	20	144,118	139,600
		259,899	232,193
Other assets			
Cash at bank and in hand		395,686	86,810
		395,686	86,810
Prepayments and accrued income			
Accrued interest and rent		2,740	1,810
Total assets		\$ 1,886,567	\$ 1,779,864
Capital, Reserves and Liabilities			
Capital and reserves			
Called up share capital	21	284,099	287,662
Other reserves	21	(1,087)	(7,553)
Profit and loss account		502,115	453,402
Total shareholders' funds		785,127	733,511
Technical provisions			
Claims outstanding	7	996,881	1,021,496
Creditors: Amounts falling due within one year			
Creditors arising out of reinsurance operations	22	23,379	24,526
Derivative financial instruments	16	72,127	267
Other creditors including tax and social security	23	9,053	64
		104,559	24,856
Total capital, reserves and liabilities		\$ 1,866,567	\$ 1,779,864

*Restated, see note 3(e) for further details

The financial statements on pages 19 to 46 were approved by the Board of RiverStone Insurance (UK) Limited on 25 March 2022 and signed on its behalf by the Directors on 27 May 2022.



L. R. Tanzer
Chief Executive Officer



A. R. Creed
Chief Financial Officer

RiverStone Insurance (UK) Limited (Company No. 1167327)
Statement of Changes in Equity
For the year ended 31st December 2021

	Called Up Share Capital \$'000	Other Reserves \$'000	Profit and Loss Account \$'000	Total Share- holders' Funds \$'000
Balance at 1st January 2021	287,662	(7,553)	453,402	733,511
Loss for the financial year	-	-	47,604	47,604
Other comprehensive expense for the year	<u>(7,575)</u>	<u>6,466</u>	<u>1,109</u>	<u>-</u>
Total comprehensive expense for the year	(7,575)	6,466	1,109	-
New share capital issued	<u>4,012</u>	<u>-</u>	<u>-</u>	<u>4,012</u>
Balance at 31st December 2021	\$ 284,099	\$ (1,087)	\$ 502,115	\$ 785,127

	Called Up Share Capital \$'000	Other Reserves \$'000	Profit and Loss Account \$'000	Total Share- holders' Funds \$'000
Balance at 1st January 2020*	278,783	(2,465)	453,133	729,451
Loss for the financial year*	-	-	(17,993)	(17,993)
Other comprehensive expense for the year*	8,879	(5,088)	18,262	22,053
Total comprehensive expense for the year*	<u>-</u>	<u>(5,088)</u>	<u>269</u>	<u>4,060</u>
Balance at 31st December 2020*	\$ 287,662	\$ (7,553)	\$ 453,402	\$ 733,511

*Restated, see note 3(e) for further details

RiverStone Insurance (UK) Limited (Company No. 1167327)
Statement of Cashflow
For the year ended 31st December 2021

	2021	2020*
	\$'000	\$'000
Reconciliation of (loss) / profit for the year to net cash inflow from operating activities		
Profit/(loss) for the financial year	47,588	(17,993)
(Decrease)/increase in gross technical provisions	(24,616)	51,968
Decrease in reinsurers' share of gross technical provisions	63,753	40,228
(Increase)/decrease in debtors	(27,942)	17,895
Increase/(decrease) in creditors	79,957	(36,196)
Investment return	(54,706)	24,629
Net cash inflow from operating activities	84,034	90,531
Purchase of equity and debt instruments	(3,642,124)	(2,945,369)
Sale of equity and debt instruments	3,844,780	2,810,385
Investment income received	19,659	21,035
Net cash inflow/(outflow) from investing activities	222,315	(113,949)
New share capital issued	4,012	-
Cash and cash equivalents at beginning of year	86,810	106,261
Foreign exchange on cash and cash equivalents	(1,485)	3,967
Cash and cash equivalents at end of year	\$ 395,686	\$ 86,810

*Restated, see note 3(e) for further details

RiverStone Insurance (UK) Limited (Company No. 1167327)
Notes to the Financial Statements
For the year ended 31st December 2021

1. General Information

RiverStone Insurance (UK) Limited (“RiverStone Insurance (UK)” or “the Company”) is engaged in the runoff of the assets and liabilities associated with previously written insurance and reinsurance business.

RiverStone Insurance (UK) 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. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group’s operations are set out in the directors’ report.

2. Statement of Compliance

The financial statements of RiverStone Insurance (UK) 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” as issued in March 2018 (“FRS102”), Financial Reporting Standard 103, “Insurance Contracts” (“FRS103”) and the Companies Act 2006.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(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.

(b) 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. In adopting the going concern basis, the Directors have reviewed the Company’s current and forecast budget and solvency positions for the next 12 months and beyond. The Company’s Solvency II available own funds capital as at the end of the period is \$585.3 million, a surplus of 195% over the solvency capital requirement (unaudited)

(c) Exemptions for Qualifying Entities under FRS102

FRS102 allows 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 Insurance (UK) s shareholders.

RiverStone Insurance (UK) has taken advantage of the following exemptions:

- i) from disclosing key management personnel compensation, as required by FRS102 paragraph 33.7.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Notes to the Financial Statements
For the year ended 31st December 2021

- ii) from the requirement to disclose transactions with related parties within the same group as provided by FRS102, Section 33.1A.

(d) 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 RiverStone Insurance (UK) less an allowance for cancellations. Premiums written are shown gross of commission payable to intermediaries and exclude related taxes.

Legal portfolio transfers are considered as follows: Portfolio premiums are payable by one insurer (the transferor) to another (the transferee) in compensation for the transferee assuming responsibility for claims arising on a portfolio of in-force business. Payments are included as written premiums in the transferee's financial statements (with any unearned amount being deferred as unearned premium). Where portfolio claims are payable by one insurer (the transferor) to another (the transferee) in compensation for the transferee assuming responsibility for unpaid claims incurred, payments are credited to claims payable in the financial statements of the transferee.

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.

Whilst the board of directors of RiverStone Insurance (UK) ("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 RiverStone Insurance (UK), RiverStone Insurance (UK)'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 RiverStone Insurance (UK). The estimates made are based upon current facts available to RiverStone Insurance (UK) 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.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Notes to the Financial Statements
For the year ended 31st December 2021

(e) Translation of Foreign Currencies

The financial statements are presented in US Dollars and, unless otherwise stated, are rounded to thousands. Items included in RiverStone Insurance (UK)'s financial statements are measured using the currency of the primary economic environment in which it operates. RiverStone Insurance (UK)'s functional currency is US Dollars.

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. All exchange differences arising from the translation from functional currency to presentation currency are recognised through the Statement of Comprehensive Income as a separate component of equity.

With effect from 1 January 2021 the functional currency of the Company changed from Sterling to US Dollars due to a gradual change in the dominant currency throughout the period.

In addition, from 1 January 2021, the Company opted to change presentational currency from Sterling to US Dollars, given that a significant majority of earnings are denominated in US Dollars. The Directors believe that the change in presentation currency will give stakeholders a clearer understanding of the Company's financial performance and financial position over time.

Following this the prior year figures have been translated into US Dollars using the following procedures:

- Assets and liabilities are translated into US Dollars at the closing rates of exchange. At 31 December 2020 the closing rate was Sterling/US Dollars 1.37.
- trading results are translated into US Dollars at the average rates of exchange. At 31 December 2020 the average rate was Sterling/US Dollars 1.28.
- differences resulting from the retranslation of the opening net assets and the results for the period have been presented in the other comprehensive income under currency translation adjustments.

(f) 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) Deferred Tax

Deferred tax assets and liabilities are established for differences between amounts reported in the financial statements and amounts reported in RiverStone Insurance (UK)'s annual corporation tax

RiverStone Insurance (UK) Limited (Company No. 1167327)
Notes to the Financial Statements
For the year ended 31st December 2021

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

(g) Investment in Subsidiary Undertakings

Unlisted investments in subsidiary undertakings are recorded at cost.

(h) Other Financial Investments

RiverStone Insurance (UK) 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.

RiverStone Insurance (UK) 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 RiverStone Insurance (UK)'s key management personnel.

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.

The Company 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

RiverStone Insurance (UK) Limited (Company No. 1167327)
Notes to the Financial Statements
For the year ended 31st December 2021

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 RiverStone Insurance (UK) 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 RiverStone Insurance (UK) 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.

(i) **Impairment of Financial Assets**

At each balance sheet date RiverStone Insurance (UK) 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.

(j) **Derivative Financial Instruments**

Derivative financial instruments comprise foreign currency forward contracts, equity index and US government bond total return swaps and fair value 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.

(k) **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.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Notes to the Financial Statements
For the year ended 31st December 2021

(l) Related Party Transactions

RiverStone Insurance (UK) 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.

4. Critical Accounting Judgements and Estimation Uncertainty

No critical accounting judgements has been made in preparing these financial statements. The key sources of estimation uncertainty are set out in this note. 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 Insurance (UK) 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 Insurance (UK)'s most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that RiverStone Insurance (UK) 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. Please refer to note 5a for further detail.

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

RiverStone Insurance (UK) 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. RiverStone Insurance (UK) 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 RiverStone Insurance (UK) and substantial time is spent (over many years in some cases) resolving contract issues and determining facts necessary to evaluate the claim.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Notes to the Financial Statements
For the year ended 31st December 2021

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.

RiverStone Insurance (UK) 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.

For these reasons, RiverStone Insurance (UK) estimates that the possible ultimate liabilities for these exposures could be substantially different from the amounts currently provided in the financial statements. Nevertheless, RiverStone Insurance (UK) believes that the reserves carried for these exposures are adequate based on known facts and current interpretation of applicable laws. Please refer to note 5a for further detail.

No other material critical judgements have been identified.

5. Management of Insurance and Financial Risk

Financial Risk Management Objectives

RiverStone Insurance (UK) 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.

(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 RiverStone Insurance (UK) 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. RiverStone Insurance (UK) has a diversified portfolio of insurance risks, all of which relate to business originally written previously, and which are mature in nature.

RiverStone Insurance (UK) 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.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Notes to the Financial Statements
For the year ended 31st December 2021

i) Process for Assessment of Technical Provisions

RiverStone Insurance (UK) 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. RiverStone Insurance (UK) 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.

RiverStone Insurance (UK) 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.

RiverStone Insurance (UK) 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.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Notes to the Financial Statements
For the year ended 31st December 2021

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 RiverStone Insurance (UK) relate to its portfolio of UK disease claims, particularly arising from mesothelioma and other asbestos-related disease exposures. UK disease claims are very long-tailed in nature with over 30 years of uncertain future cashflows expected.

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 Company's mesothelioma reserves.

The Company is judged not to have material insurance exposure to COVID-19 related claims and has experienced only moderate claims notifications in this regard during 2021. The 31st December 2021 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.

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iv) Claims Development Tables

The following tables present the comparison of actual claims incurred to previous estimates for the last 10 years.

RiverStone Insurance (UK) did not write any business in 2013, 2016, 2017, 2019 or 2020 and therefore these columns are not presented in the below tables.

Claims Outstanding (Gross)

Underwriting Year	2012 \$'000	2014 \$'000	2015 \$'000	2018 \$'000	2021 \$'000	Total \$'000
Estimate of cumulative gross claims						
At the end of the first year	359,689	53,577	77,440	59,368	131,687	681,761
- One year later	355,306	54,746	74,497	59,288	-	543,837
- Two years later	325,158	51,530	75,581	60,622	-	512,891
- Three years later	319,692	58,113	78,463	56,625	-	512,893
- Four years later	303,891	50,731	79,408	-	-	434,030
- Five years later	293,329	47,254	79,744	-	-	420,327
- Six years later	335,974	45,499	79,708	-	-	461,181
- Seven years later	348,943	44,815	-	-	-	393,758
- Eight years later	-	-	-	-	-	-
- Nine years later	-	-	-	-	-	-
Current estimate of cumulative claims	<u>348,943</u>	<u>44,815</u>	<u>79,708</u>	<u>56,625</u>	<u>131,687</u>	<u>661,778</u>
Cumulative payments to date	<u>(282,522)</u>	<u>(33,838)</u>	<u>(32,469)</u>	<u>(27,131)</u>	<u>-</u>	<u>(375,960)</u>
Liability recognised in the balance sheet	\$ 66,421	10,977	47,239	29,949	131,687	285,818
Reserve in respect of prior years						711,063
Total reserve included in balance sheet						\$ 996,881

Claims Outstanding (Net)

Underwriting Year	2012 \$'000	2014 \$'000	2015 \$'000	2018 \$'000	2021 \$'000	Total \$'000
Estimate of cumulative net claims						
At the end of the first year	266,946	-	-	39,024	131,687	437,657
- One year later	258,621	-	-	39,359	-	297,980
- Two years later	257,765	-	-	29,037	-	286,802
- Three years later	252,083	-	-	28,312	-	280,395
- Four years later	242,770	-	-	-	-	242,770
- Five years later	235,899	-	-	-	-	235,899
- Six years later	280,570	-	-	-	-	280,570
- Seven years later	291,462	-	-	-	-	291,462
- Eight years later	288,959	-	-	-	-	288,959
- Nine years later	-	-	-	-	-	-
Current estimate of cumulative claims	<u>288,959</u>	<u>-</u>	<u>-</u>	<u>28,312</u>	<u>-</u>	<u>448,958</u>
Cumulative payments to date	<u>(226,989)</u>	<u>-</u>	<u>-</u>	<u>(13,565)</u>	<u>-</u>	<u>(240,554)</u>
Liability recognised in the balance sheet	\$ 61,970	\$ -	\$ -	\$ 14,747	\$ 131,687	\$ 208,404
Reserve in respect of prior years						480,033
Total reserve included in balance sheet						\$ 688,437

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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 (gross and net of reinsurance) arising from insurance contracts:

	2021		2020*	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
UK Mesothelioma	283,265	136,648	340,625	163,532
Non-UK Mesothelioma	162,634	117,597	193,447	143,339
Italian Medical Malpractice	79,363	68,677	92,873	81,084
Spanish Medical Malpractice	126,683	126,683	-	-
European Motor/ Third Party Liability	67,253	61,639	72,161	66,019
Deafness	20,937	9,629	29,380	13,918
Professional Indemnity/Financial Institutions	18,670	13,427	22,073	15,460
Casualty Treaty	20,393	191	28,376	219
Asbestos structured settlements	34,376	24,026	35,554	25,416
Employers' and Public Liability	23,409	12,110	31,440	14,357
Pollution	33,617	28,399	37,514	31,344
WTC	2,187	2,187	8,557	8,557
All other loss reserves	94,985	67,252	103,044	69,839
Claims expense reserve	29,109	19,972	26,452	16,215
Total technical provisions	\$ 996,881	\$ 688,437	\$ 1,021,496	\$ 649,299

*Restated, see note 3(e) for further details

(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. RiverStone Insurance (UK) works closely with its investment manager 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 RiverStone Insurance (UK), 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 RiverStone Insurance (UK)'s investments held at 31st December 2021 is an approximate \$14.8 million loss (2020: \$3.6 million loss) to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate \$15.8 million gain (2020: \$3.7 million gain) to the profit and loss account.

ii) Equity Price Risk

RiverStone Insurance (UK) 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

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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.

RiverStone Insurance (UK) has 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 RiverStone Insurance (UK)'s price risk arising from its investments in equity securities.

Listed equity securities held at 31st December 2021 represent 90.7% of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all RiverStone Insurance (UK)'s equity investments moved according to the historical correlation with the index, the profit for the year would increase/decrease by \$nil as all equity investments are protected by fair value swaps.

iii) **Currency Risk**

RiverStone Insurance (UK) manages its foreign exchange risk against its functional currency, which is the Pound Sterling. RiverStone Insurance (UK) has a proportion of its assets and liabilities denominated in currencies other than the Pound Sterling, the most significant being the Euro and US Dollar. RiverStone Insurance (UK) 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 2021, if the Euro had weakened by 10% more than the actual 2021 movement against the US Dollar with all other variables held constant, profit for the year would have been \$1.4 million lower (2020: \$700,000 lower), mainly as a result of net foreign exchange gains on the translation of US Dollar denominated financial assets and US Dollar denominated liabilities, after forward currency contracts are taken into account.

At 31st December 2020, if the Pound Sterling had weakened by 10% more than the actual 2020 movement against the US Dollar with all other variables held constant, profit for the year would have been \$890,000 million higher (2019: \$69.0 million lower), mainly as a result of net foreign exchange gains on the translation of US Dollar denominated financial assets and US Dollar 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 RiverStone Insurance (UK) 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 RiverStone Insurance (UK) is in runoff its exposures to reinsurers and insurance intermediaries are determined by contracts previously written. RiverStone Insurance (UK) 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.

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It is RiverStone Insurance (UK)'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 RiverStone Insurance (UK)'s credit risk exposure. This collateral is in the form of security accounts, deposits and letters of credit from reinsurers.

RiverStone Insurance (UK) 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 amount subject to credit risk at any one time is limited to the current fair value of derivative financial assets.

RiverStone Insurance (UK) specifically monitors its exposure to the credit risk of the loan receivable that it has from an affiliated company. RiverStone Insurance (UK) 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):

	2021	2020*
	\$'000	\$'000
Derivative financial instruments	21,922	5,651
Debt securities	488,381	166,978
Treasury Bills	57,970	638,795
Assets arising from reinsurance contracts held	502,004	463,666
Cash at bank and in hand	395,686	86,807
Loan receivable	<u>133,920</u>	<u>133,916</u>
Total assets bearing credit risk	\$ <u>1,599,883</u>	\$ <u>1,497,886</u>

*Restated, see note 3(e) for further details

	2021	2020*
	\$'000	\$'000
A++	173,508	150,461
A+	39,431	36,765
A, A-	576,442	787,521
B++ and below or not rated	<u>810,502</u>	<u>523,109</u>
Total assets bearing credit risk	\$ <u>1,599,883</u>	\$ <u>1,497,886</u>

*Restated, see note 3(e) for further details

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

	2021	2020*
	\$'000	\$'000
Performing	496,518	459,287
Past due	5,486	4,379
Impaired	2,590	3,541
Provision for irrecoverable amounts	<u>(2,590)</u>	<u>(3,541)</u>
Total	\$ <u>502,004</u>	\$ <u>463,666</u>

*Restated, see note 3(e) for further details

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(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. Limits are set 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 RiverStone Insurance (UK)'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 2021							
Financial liabilities under investment contracts	-	72,127	-	-	-	-	72,127
Creditors	-	26,970	144	225	3,755	1,338	32,432
	-	99,097	144	225	3,755	1,338	104,559
Claims outstanding	-	56,552	56,552	103,021	212,308	568,448	996,881
Financial liabilities and outstanding claims	\$ -	\$ 155,649	\$ 56,696	\$ 103,246	\$ 216,063	\$ 569,786	\$ 1,101,440
	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*	-	267	-	-	-	-	-
Creditors*	-	12,406	589	2,205	6,899	2,491	24,857
	-	12,673	589	2,205	6,899	2,491	24,857
Claims outstanding*	-	45,210	45,210	86,505	191,787	652,784	1,021,496
Financial liabilities and outstanding claims*	\$ -	\$ 57,883	\$ 45,799	\$ 88,710	\$ 198,686	\$ 655,275	\$ 1,046,353

*Restated, see note 3(e) for further details

(e) Capital Management

RiverStone Insurance (UK) 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. RiverStone Insurance (UK)'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

RiverStone Insurance (UK) considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance and securitisation, as appropriate, when assessing its

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deployment and usage of capital. RiverStone Insurance (UK) manages as capital all items that are eligible to be treated as capital for regulatory purposes. RiverStone Insurance (UK) is regulated by the Prudential Regulation Authority and Financial Conduct Authority ("FCA") and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. RiverStone Insurance (UK) manages capital in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. RiverStone Insurance (UK) has complied with all of its capital requirements throughout the year.

RiverStone Insurance (UK)'s Solvency II available own funds capital as at the end of the year is \$585 million (2020: \$436.3 million) representing an SCR ratio coverage of 195% (Unaudited).

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 RiverStone Insurance (UK)'s gross, ceded and net loss reserves from 1st January 2020 to 31st December 2021:

	Gross \$'000	Ceded \$'000	Net \$'000
Amounts at 1 st January 2021	1,021,496	372,197	649,299
Amounts paid during the year	(65,674)	(27,168)	(38,506)
Change in estimate of reserves	64,618	(32,447)	97,065
Foreign exchange	(23,559)	(4,139)	(19,420)
Amounts at 31st December 2020	\$ 996,881	\$ 308,443	\$ 688,438

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8. Analysis of Gross Business

	Gross premiums written 2021 \$'000	Gross premiums earned 2021 \$'000	Gross claims incurred 2021 \$'000	Gross operating expenses 2021 \$'000	Re- insurance balance 2021 \$'000
Direct Insurance					
Motor	(1)	(1)	168	(59)	(501)
Marine, aviation and transport	(6)	(6)	45	(16)	240
Fire and other damage to property	(755)	(755)	46	(16)	242
Third-party liability	615	615	30,942	(10,885)	(25,438)
Miscellaneous	(2,885)	(2,885)	1,252	(441)	1,694
	(3,032)	(3,032)	32,453	(11,417)	(23,763)
Reinsurance acceptances	150,483	150,483	(94,977)	(33,412)	2,942
Total	\$ 147,451	\$ 147,451	\$ (62,524)	\$ (44,829)	\$ (20,821)

	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					
Motor	-	-	37	(22)	95
Marine, aviation and transport	-	-	937	(549)	(23)
Fire and other damage to property	-	-	(150)	(89)	17
Third-party liability	-	-	12,703	(7,439)	(16,757)
Miscellaneous	-	-	1,477	(865)	(622)
	-	-	15,004	(8,964)	(17,290)
Reinsurance acceptances	(1,172)	(1,172)	37,940	(22,224)	10,408
Total	\$ (1,172)	\$ (1,172)	\$ 52,944	\$ (31,188)	\$ (6,882)

*Restated, see note 3(e) for further details

9. Net Operating Expenses

	2021 \$'000	2020* \$'000
Administrative expenses	36,184	25,377
Commissions payable	650	236
	\$ 36,834	\$ 25,613

*Restated, see note 3(e) for further details

RiverStone Insurance (UK) has no employees. The administration of RiverStone Insurance (UK) is carried out by RiverStone Management, a fellow subsidiary, which also provides these services to other group companies.

The Directors receive no emoluments from RiverStone Insurance (UK). The contracts of employment of the U.K. executive Directors and employees are with RiverStone Management which makes charges to RiverStone Insurance (UK) for the services described above. Emoluments paid by RiverStone

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Management to the Directors of RiverStone Insurance (UK) in respect of their services as directors of RiverStone Insurance (UK) are summarised below. These amounts represent emoluments based on an apportionment of the Directors' time.

	2021 \$'000	2020* \$'000
Aggregate emoluments	\$ 1,324	\$ 870
Loss of office	\$ 91	\$ -

*Restated, see note 3(e) for further details

As at 31st December 2021, no directors had amounts accrued (2020: three) under a defined benefit pension scheme.

During the year two directors exercised share options (2020: Nil).

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

	2021 \$'000	2020* \$'000
Aggregate emoluments	\$ 543	\$ 438

*Restated, see note 3(e) for further details

As at 31st December 2021, £nil was accrued under a defined benefit pension scheme for the highest paid (2020: \$62,000).

10. Auditors' Remuneration

	2021 \$'000	2020* \$'000
Audit	\$ 656	\$ 558

*Restated, see note 3(e) for further details

11. Investment Return

	2021 \$'000	2020* \$'000
Investment income		
Income from financial assets at fair value through profit and loss – designated upon initial recognition	12,155	10,558
Deposit interest	(113)	73
Income from treasury bills	229	2,396
Interest from affiliated company	10,814	10,844
	\$ 23,084	\$ 23,871

*Restated, see note 3(e) for further details

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	2021 \$'000	2020* \$'000
Realised (losses) gains on investments		
Financial assets at fair value through profit and loss:		
Held for trading	6,910	(39,932)
	<u>\$ 6,910</u>	<u>\$ (39,932)</u>

*Restated, see note 3(e) for further details

12. Other Income

	2021 \$'000	2020* \$'000
Income earned on provision of Funds at Lloyd's capital to group undertaking	\$ 6,074	\$ 1,354

*Restated, see note 3(e) for further details

13. Investment Expenses and Charges

	2021 \$'000	2020* \$'000
Investment Expenses	\$ (2,495)	\$ (3,142)

*Restated, see note 3(e) for further details

14. Tax on (loss)/profit

	2021 \$'000	2020* \$'000
(a) Tax on Profit		
Current tax		
UK corporation tax at 19% (2020: 19%) based on the (loss)/profit for the year	7,712	(5,366)
Group relief surrendered for nil consideration	(7,710)	390
Withholding tax	705	413
Prior year adjustment	-	(789)
Total current tax (credit)/charge	<u>\$ 707</u>	<u>\$ (5,352)</u>

*Restated, see note 3(e) for further details

(b) Tax expense included in Other Comprehensive Income

	2021 \$'000	2020* \$'000
Deferred tax		
Origination and reversal of timing differences	\$ 707	\$ (5,352)

*Restated, see note 3(e) for further details

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(c) Factors affecting the tax (credit)/charge for the year

The corporation tax assessed for the year is the same as to the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 \$'000	2020* \$'000
(Loss) profit before tax	\$ <u>48,311</u>	\$ <u>(23,345)</u>
(Loss)/Profit before tax multiplied by the UK corporate tax rate of 19% (2019: 19%)	9,180	(4,435)
Non-taxable dividend income	(1,468)	(1,036)
Expenses not deductible for tax purposes		77
Available for sale investment movements	-	42
Withholding tax	705	413
Tax on overseas earnings	-	(14)
Unwind of defined benefit pension scheme	-	-
Group relief surrendered for nil consideration	(7,710)	390
Prior year adjustment	<u>-</u>	<u>(789)</u>
Total tax (credit)/charge for the year	\$ <u>707</u>	\$ <u>(5,352)</u>

*Restated, see note 3(e) for further details

15. Investment in Subsidiary Undertakings

RiverStone Insurance (UK) directly owned all of the ordinary issued share capital of RiverStone Luxembourg S.à.r.l., which is valued at cost.

	Cost 2021 \$'000	Cost 2020* \$'000	Shareholders' Equity at 1 Jan 2021 \$'000	Profit And Loss \$'000	Loss on disposal \$'000	Shareholders' Equity at 31 Dec 2021 \$'000
RiverStone Luxembourg S.à.r.l - Dormant	\$ <u>0</u>	\$ <u>11</u>	\$ <u>(43)</u>	\$ <u>2</u>	\$ <u>41</u>	\$ <u>0</u>

*Restated, see note 3(e) for further details

RiverStone Luxembourg S.à.r.l was incorporated on 14th June 2016. Its registered address is 20 Rue Eugene Ruppert, L-2453 Luxembourg. The company was disposed of on 15th December 2021 at a loss of \$41,000.

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16. Other Financial Investments

(a) Other Financial Investments by Category

	Market Value 2021 \$'000	Market Value 2020* \$'000	Historic Cost 2021 \$'000	Historic Cost 2020* \$'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	351,525	273,318	315,449	318,724
Debt securities and other fixed interest securities designated at fair value through profit and loss on initial recognition	546,351	805,797	546,553	806,775
Derivative financial instruments - at fair value through profit and loss, held for trading	21,922	7,724	-	102
	<u>\$ 919,798</u>	<u>\$ 1,086,839</u>	<u>\$ 823,470</u>	<u>\$ 1,125,601</u>
Available for sale				
Debt securities and other fixed income securities	-	-	-	-
	<u>\$ 919,798</u>	<u>\$ 1,086,839</u>	<u>\$ 823,470</u>	<u>\$ 1,125,601</u>
Financial Liabilities				
Derivative financial instruments - at fair value through profit and loss, held for trading	3,555	195	-	526
Fair Value Swap	68,574	-	-	-
	<u>\$ 72,129</u>	<u>\$ 195</u>	<u>\$ -</u>	<u>\$ 526</u>

*Restated, see note 3(e) for further details

(b) Listed Investments

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

	2021 \$'000	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	488,381	166,978
Equity shares	313,948	200,527
Total listed investments	<u>\$ 802,329</u>	<u>\$ 367,505</u>

*Restated, see note 3(e) for further details

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

	Market Value 2021 \$'000	Market Value 2020* \$'000	Historic Cost 2021 \$'000	Historic Cost 2020* \$'000
Derivative financial instruments assets				
Foreign currency forward contracts	347	7,662	-	-
Fair Value Swaps	21,575	-	-	-
Inflation linked swap contracts	-	62	-	102
	<u>\$ 21,922</u>	<u>\$ 7,724</u>	<u>\$ -</u>	<u>\$ 102</u>
Derivative financial instruments liabilities				
Foreign currency forward contracts	3,555	266	-	526
Fair Value Swaps	68,574	-	-	-
	<u>\$ 72,129</u>	<u>\$ 7,724</u>	<u>\$ -</u>	<u>\$ 102</u>

*Restated, see note 3(e) for further details

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 against Pound Sterling, Euro and Canadian Dollars

	<u>Market Value</u>		<u>Contract/Notional Amount</u>	
	2021 \$'000	2020* \$'000	2021 \$'000	2020* \$'000
Foreign currency contracts	<u>\$ (3,208)</u>	<u>\$ 7,396</u>	<u>\$ 271,407,380</u>	<u>\$ 355,421</u>

*Restated, see note 3(e) for further details

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

	Level 1 2021 \$'000	Level 2 2021 \$'000	Level 3 2021 \$'000	Total 2021 \$'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	229,423	292,412	24,516	546,351
Equity shares	313,947	19,936	17,642	351,525
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	21,922	21,922
Total	<u>\$ 543,370</u>	<u>\$ 312,348</u>	<u>\$ 64,080</u>	<u>\$ 919,798</u>
	Level 1 2020* \$'000	Level 2 2020* \$'000	Level 3 2020* \$'000	Total 2020* \$'000
At fair value through profit and loss				

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Debt securities and other fixed-income securities designated at fair value through profit or loss upon initial recognition	638,814	146,887	20,096	805,797
Equity shares	200,533	51,913	20,872	273,318
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	7,724	7,724
Total	\$ 839,347	\$ 198,800	\$ 48,692	\$ 1,086,839

*Restated, see note 3(e) for further details

(e) Level 3 Pricing

Level 3 contains investments where fair values are measured using valuation techniques for which significant inputs are not based on market observable data. Valuation techniques 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.

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

	At Fair Value Through Profit and Loss			
	Debt Securities	Equity Shares	Derivatives	Total
	2021	2021	2021	2021
	\$'000	\$'000	\$'000	\$'000
At 1 January	20,095	20,873	7,724	48,692
Total gains (losses) recognised in the profit and loss account	4,421	3,530	14,189	22,140
Purchases	-	-	9	9
Sales	-	(6,761)	-	(6,761)
Total	\$ 24,516	\$ 17,642	\$ 21,922	\$ 64,080

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	At Fair Value Through Profit and Loss			
	Debt Securities 2020* \$'000	Equity Shares 2020* \$'000	Derivatives 2020* \$'000	Total 2020* \$'000
At 1 January	20,899	41,444	12,733	75,077
Total gains (losses) recognised in the profit and loss account	6,146	(7,727)	(5,009)	(6,591)
Purchases	13,200	564	-	13,764
Sales	(20,150)	(13,408)	-	(33,558)
Total	\$ 20,095	\$ 20,873	\$ 7,724	\$ 48,962

*Restated, see note 3(e) for further details

Total gains of \$22.1 million (2020: losses of \$6.6 million) comprise realised gains of \$2.4 million (2020: losses \$6.9 million) and unrealised gains of \$19.7 million (2020: gains of \$0.3 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 (2020: \$Nil).

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

(g) Collateralised Investments

RiverStone Insurance (UK) has outstanding letters of credit, guarantees and deposits of \$327,265,161 (2020: \$193,484,684) issued in favour of cedants and certain other creditors collateralised by investments and cash with a market value of \$433,440,570 and cost of \$431,807,288 (2020: market value \$233,729,505 and a cost of \$221,771,526).

(h) Held for sale investments

Included within other financial investments are \$521.9 million of investments that as at 31 December 2021 have a contractually binding agreement for sale within the next 12 months. The assets held for sale relate to certain equities and debt investments under which the Company has entered into fair value swaps, these swaps include a condition of sale of the underlying asset within 12 months from the balance sheet date.

17. 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 \$193.8 million (2020: \$318.0 million) in respect of quota share reinsurance contracts.

18. Debtors Arising Out of Direct Insurance Operations

	2021 \$'000	2020* \$'000
Amounts owed by intermediaries	\$ 23,775	\$ 1,109

*Restated, see note 3(e) for further details

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19. Debtors Arising Out of Reinsurance Operations

	2021 \$'000	2020* \$'000
Amounts owed by reinsurers and intermediaries	49,754	60,595
Amounts owed by group undertakings	42,252	30,889
	<u>\$ 92,006</u>	<u>\$ 91,484</u>

*Restated, see note 3(e) for further details

20. Other Debtors

	2021 \$'000	2020* \$'000
Loan Receivable	133,920	133,918
Tax	9,661	5,241
Other debtors	537	441
	<u>\$ 144,118</u>	<u>\$ 139,600</u>

*Restated, see note 3(e) for further details

21. Called up Share Capital and Other Reserves

	2021	2020*
<u>Allotted</u>		
90,000,010 (2020: 90,000,010)		
Ordinary Shares of £1 - fully paid	£ 90,000,010	£ 90,000,010
10 (2020: 10) 'A' Ordinary Shares of £1 - fully paid	£ 10	£ 10
161,074,509 (2020: 157,062,215)		
Ordinary Shares of \$1 - fully paid	\$ 161,074,509	\$ 157,062,215

*Restated, see note 3(e) for further details

On 8th February 2021, RiverStone Insurance (UK) issued 4,012,294 \$1 ordinary shares to RiverStone Holdings in exchange for an asset value loan note.

In all respects Ordinary US Dollar Shares rank pari passu with the Ordinary Pound Sterling Shares.

Allotted, issued and called up share capital presented in US dollars as adopted in the Financial Statements:

	2021 \$'000	2020* \$'000
90,000,010 (2020: 90,000,010) Ordinary Shares of £1 - fully paid	123,024	130,600
10 (2020: 10) 'A' Ordinary Shares of £1 - fully paid	-	-
161,074,509 (2020: 157,062,215) Ordinary Shares of \$1 - fully paid	161,075	157,062
	<u>\$ 284,099</u>	<u>\$ 287,662</u>

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*Restated, see note 3(e) for further details

Other reserves relates to the cumulative translation adjustment arising from showing the share capital in USD functional currency at the transaction rate at the time of the change.

22. Creditors Arising Out of Reinsurance Operations

	2021	2020*
	\$'000	\$'000
Balances owed to cedants and intermediaries	15,012	19,007
Amounts owed to group undertaking	8,367	5,519
	<u>\$ 23,379</u>	<u>\$ 24,526</u>

*Restated, see note 3(e) for further details

23. Other Creditors Including Tax and Social Security

	2021	2020*
	\$'000	\$'000
Tax	274	-
Other Creditors	8,779	64
	<u>\$ 9,053</u>	<u>\$ 64</u>

*Restated, see note 3(e) for further details

24. Litigation and Contingent Liabilities

- (a) RiverStone Insurance (UK) 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 RiverStone Insurance (UK) believes are probable of realisation, would have a material effect on the financial position of RiverStone Insurance (UK).
- (b) RiverStone Insurance (UK) has provided a guarantee of the solvency of its affiliate, RiverStone Managing Agency Limited, of up to \$1.5 million.

25. Related Party Transactions and Immediate and Ultimate Parent Company

RiverStone Insurance (UK) is a wholly owned subsidiary of RiverStone Holdings Limited ("RiverStone Holdings") which is registered in England and Wales. The ultimate holding company is Gatland Holdings Jersey Limited ("Gatland") which is registered in Jersey. The majority of the shares in Gatland are held by CVC Capital Partners Strategic Opportunities II LP. Exemption has been taken under FRS102 section 33.1A to not disclose group related balances.