

COMPANY NO. 1268308

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

RiverStone Management Limited

2021 Annual Report

RiverStone Management Limited (Company No. 1268308)
Annual Report
For the year ended 31st December 2021

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RiverStone Management Limited (Company No. 1268308)

Directors and Administration

For the year ended 31st December 2021

Directors

M. J. Bannister
A. R. Creed
F. Henry
I. Hewitt (resigned 31 March 2021)
S. C. Roberts
L. R. Tanzer
A. C. Tilley (resigned 31 March 2021)
C. K. Pritchard (appointed 6 April 2021)
N. Taylor (appointed 30 November 2021)

Company Secretaries

F. Henry

Registered Office

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

Independent Auditors

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Website

www.rsml.co.uk

RiverStone Management Limited (Company No. 1268308)

Strategic Report

For the year ended 31st December 2021

The Directors have pleasure in presenting the Strategic Report of RiverStone Management Limited ("RiverStone Management" 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 Management is a wholly owned subsidiary of RiverStone Holdings Limited ("RiverStone Holdings") which is registered in England and Wales. The ultimate parent company is Gatland.

Principal Activity

The principal activities of RiverStone Management continue to be that of a run-off agent and manager of insurance related entities within its affiliated group. Service fees charged to the entities are set so as to recover related costs on a net cost basis. RiverStone Management primarily operates in the London insurance market and is authorised by the Financial Conduct Authority.

Review of Business

Results and Performance

The results for the year set out in the profit and loss account show a loss for the financial year of £12,000 (2020: loss of £11,000). This represents £12,000 in foreign exchange losses.

Over the past number of years, RiverStone Holdings and its subsidiaries have acquired several run-off portfolios of business. RiverStone Management continues to review resource levels to ensure they are appropriate to the business under its management.

Headcount at the end of the year was 255 (2020: 223).

RiverStone Management's staff costs are higher than the prior year, due to an increase in headcount, but offset by a reduction in contributions made to the defined benefit pension scheme. RiverStone Management's other operating charges are higher than the prior year, mainly due to increases in rent, occupancy, and legal costs.

Total shareholders' funds have decreased by the loss for the financial year to £768,000 from £780,000. The Directors consider that the financial position at the year-end remains satisfactory.

Performance Measurements and Key Performance Indicators

RiverStone Management monitors its performance through adherence to service level standards set out in the agreements it has with the companies that it administers. Throughout the year these standards have been assessed as being met.

RiverStone Management meets the minimum capital requirement under Financial Conduct Authority rules at 31st December 2021 of £10,000.

Total shareholders' funds are considered to be the key performance indicator of the company and have decreased by the loss for the financial year to £768,000 from £780,000.

RiverStone Management Limited (Company No. 1268308)
Strategic Report
For the year ended 31st December 2021

Strategy and Future Developments

RiverStone Management's primary focus is to continue to manage the timely and efficient run-off of the insurance related entities within its affiliated group.

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 Management ("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 Management. Its compliance, legal and finance departments take on an important oversight role in this regard. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively; it is assisted in discharging these responsibilities by the RiverStone Holdings UK Risk Committee.

The principal risks faced by RiverStone Management arise from its ability to continue to meet the service standards in place with the entities for which it acts.

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. RiverStone Management has continued to perform business as usual activities efficiently and effectively.

Section 172(1) of the Companies Act 2006

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

Consequences of any Decision in the Long Term

The Board undertakes a detailed review of the Company's strategy annually. The company's role as a services provider is closely aligned to those of the companies to which it provides those services and the Board is cognisant of this. The service level standards and services agreements under which the Board deliver these services are designed to ensure 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 Management Limited (Company No. 1268308)
Strategic Report
For the year ended 31st December 2021

Business Relationships

The Board recognises that relationships with our stakeholders are vital to the delivery of our strategy and continuously monitors the Company's performance against key performance metrics. During 2021, the Board has regularly engaged with our key stakeholders, RiverStone Managing Agency and RiverStone Insurance (UK). Certain of the Board are also regularly engaged with RiverStone US for whom RiverStone Management also provides services under an outsourcing agreement.

Community and Environment

The Board actively supports and fosters a positive relationship with the community and the environment. In the current year, the Board has supported charitable giving, infrastructure improvements to leased offices to support a reduction in our carbon footprint and the establishment of a diversity and inclusion forum. The Board 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. The Board is further 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
29th September 2022

RiverStone Management Limited (Company No. 1268308)

Directors' Report

For the year ended 31st December 2021

The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Management Limited (Company No. 1268308) ("RiverStone Management") 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 as follows:

M. J. Bannister
A. R. Creed
F. Henry
I. Hewitt (resigned 31 March 2021)
S. C. Roberts
L. R. Tanzer
A. C. Tilley (resigned 31 March 2021)
C. K. Pritchard (appointed 6 April 2021)
N. Taylor (appointed 30 November 2021)

RiverStone Management 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 Management are discussed in the Strategic Report.

Dividends

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

Financial Investments

RiverStone Management is exposed to financial risk through its financial assets and liabilities. The most important components of this financial risk are market risk (including currency risk), credit risk and liquidity risk. RiverStone Management 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.

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

RiverStone Management Limited (Company No. 1268308)
Directors' Report
For the year ended 31st December 2021

- 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 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 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 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.

Directors' Confirmations

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
29th September 2022

RiverStone Management Limited (Company No. 1268308)
Independent Auditors' Report to the Members of RiverStone Management Limited
For the year ended 31st December 2021

Independent auditor's report to the members of RiverStone Management Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of RiverStone Management 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 loss 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 balance sheet;
- the statement of changes in equity; and,
- the related notes 1 to 19.

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).

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Management Limited (Company No. 1268308)
Independent Auditors' Report to the Members of RiverStone Management Limited
For the year ended 31st December 2021

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.

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.

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and,
- 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.

We discussed among the audit engagement team including relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

RiverStone Management Limited (Company No. 1268308)
Independent Auditors' Report to the Members of RiverStone Management Limited
For the year ended 31st December 2021

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

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

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 directors' report and the strategic report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; and,
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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
29 September 2022

RiverStone Management Limited (Company No. 1268308)
Profit and Loss Account
For the year ended 31st December 2021

	Note	2021 £'000	2020 £'000
Turnover	4	59,667	50,605
Staff costs	5	(44,820)	(34,114)
Other operating expenses		(17,334)	(14,174)
Realised (losses) on investments		-	(68)
Unrealised gains / (losses) on investments		<u>2,487</u>	<u>(2,184)</u>
Operating profit (loss)		-	65
Other income – foreign exchange		<u>(12)</u>	<u>59</u>
Profit (loss) before tax	10	(12)	124
Tax on profit (loss)	11	<u>-</u>	<u>(135)</u>
Loss for the financial year		£ (12)	£ (11)

The results above are all derived from continuing operations.

RiverStone Management has no recognised gains or losses other than those included in the Profit and Loss Account above and therefore no Statement of Comprehensive Income has been presented.


RiverStone Management Limited (Company No. 1268308)**Balance Sheet****As at 31st December 2021**

	Note	2021 £'000	2020 £'000
Assets			
Fixed assets			
Tangible assets	12	507	757
Other financial investments	13	6,486	7,517
		6,993	8,274
Current assets			
Debtors	14	17,120	8,549
Cash at bank and in hand		5,100	824
		22,220	9,373
Total assets		£ 29,213	£ 17,647
Capital, Reserves and Liabilities			
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account		668	680
Total shareholders' funds		768	780
 Creditors: Amounts falling due within one year	17	 28,445	 16,867
		28,445	16,867
Total capital, reserves and liabilities		£ 29,213	£ 17,647

The financial statements on pages 12 to 25 were approved by the Board of RiverStone Management Limited and signed on its behalf by the Directors 29th September 2022.



L. R. Tanzer
Chief Executive Officer



A. R. Creed
Chief Financial Officer

RiverStone Management Limited (Company No. 1268308)
Statement of Changes in Equity
For the year ended 31st December 2021

	Called up Share Capital £'000	Profit and Loss Account £'000	Total Share- Holders' Funds £'000
Balance at 1st January 2021	100	680	780
Loss for the financial year	<u>-</u>	<u>(12)</u>	<u>(12)</u>
Total comprehensive expense for the year	<u>-</u>	<u>(12)</u>	<u>(12)</u>
Balance at 31st December 2021	£ 100	£ 668	£ 768
Balance at 1st January 2020	100	691	791
Loss for the financial year	<u>-</u>	<u>(11)</u>	<u>(11)</u>
Total comprehensive expense for the year	<u>-</u>	<u>(11)</u>	<u>(11)</u>
Balance at 31st December 2020	£ 100	£ 680	£ 780

RiverStone Management Limited (Company No. 1268308)

Notes to the Financial Statements

For the year ended 31st December 2021

1. General Information

RiverStone Management Limited (“RiverStone Management” or “the Company”) is a run-off agent and manager of affiliated insurance related entities. Service fees charged to the entities are set out as to recover related costs on a net cost basis. RiverStone Management is a private company limited by shares and is incorporated in England. The address of its registered office is Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU.

2. Statement of Compliance

The financial statements of RiverStone Management have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS102”) and the Companies Act 2006.

3. Summary of Significant Accounting Policies

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

(a) Basis of Preparation

These financial statements are prepared on a going concern basis under the historical cost convention.

(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. RiverStone Management continues to operate as a run-off agent and manager of insurance related entities within its affiliated group for the foreseeable future.

(c) Exemptions for Qualifying Entities under FRS102

FRS102 allows a qualifying entity, certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to the use of exemptions by RiverStone Management’s shareholders.

RiverStone Management has taken advantage of the following exemptions:

- i) from disclosing key management personnel compensation, as required by FRS102 paragraph 33.7.
- ii) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the financial statements of Gatland includes RiverStone Management’s cash flows.
- iii) from the requirement to disclose transactions with related parties within the same group as provided by FRS102, Section 33.1A.

RiverStone Management Limited (Company No. 1268308)
Notes to the Financial Statements
For the year ended 31st December 2021

(d) Translation of Foreign Currencies

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

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

(e) 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 Management's annual corporation tax returns, including revaluation gains and losses on investments. Deferred taxes are calculated at the rates at which it is expected that the tax liability or benefit will arise using tax rates and laws that have been enacted or substantively enacted by the year end. Deferred tax assets are recognised to the extent that they are regarded as more likely than not recoverable. Movements on deferred tax assets and liabilities are recognised in the profit and loss account, except to the extent that they arise in relation to movements in the Statement of Comprehensive Income.

(f) Financial Instruments

RiverStone Management has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

Other financial assets, being investments in preference shares are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

RiverStone Management Limited (Company No. 1268308)
Notes to the Financial Statements
For the year ended 31st December 2021

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.

(g) Tangible Assets and Depreciation

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

- i) Fixtures and fittings (primarily computer equipment) - 20% to 33% per annum
- ii) Motor vehicles - 25% per annum
- iii) Leasehold improvements - amortised over lease period

(h) Leased Assets

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

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

i) Finance Leases

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

ii) Operating Leases

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

(i) Employee Benefits

RiverStone Management provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

i) Short-term benefits

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

ii) Defined Contribution Pension Scheme

A defined contribution plan is a pension plan under which RiverStone Management pays fixed contributions into a separate entity. Once the contributions have been paid RiverStone

RiverStone Management Limited (Company No. 1268308)
Notes to the Financial Statements
For the year ended 31st December 2021

Management has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from RiverStone Management in independently administered funds.

Further details of RiverStone Management's pension schemes are given in Note 9.

iii) Annual Bonus Plan

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

(j) Cash Settled Share Based Payments

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

(k) Related Party Transactions

RiverStone Management 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.

(l) Critical Accounting Judgements and Estimation Uncertainty

RiverStone Management's financial statements do not contain any elements of significant accounting estimates or judgements requiring disclosure.

(m) Other Financial Investments

RiverStone Management 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 Management Limited (Company No. 1268308)
Notes to the Financial Statements
For the year ended 31st December 2021

4. Turnover

The turnover is attributable to the principal activity, that of managing insurance companies in the UK, and represents the revenue earned by RiverStone Management for run-off, administrative and accounting services on a cost basis.

5. Staff Costs

	2021 £'000	2020 £'000
Wages and salaries	23,699	21,386
Social security costs	3,681	4,086
Other pension costs (Note 9)	12,923	7,766
Share based payment expense (Note 8)	4,517	876
	£ 44,820	£ 34,114

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

	2021 No.	2020 No.
Office and management	28	29
Claims	102	92
Operations	29	30
Services	49	44
Financial and actuarial	32	28
	240	223

6. Auditors' Remuneration

	2021 £'000	2020 £'000
Audit	£ 15	£ 30

7. Directors' Remuneration

Emoluments paid by RiverStone Management to the Directors in respect of their services as directors of RiverStone Management are summarised below. These amounts represent emoluments based on an apportionment of the Directors' time.

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	2021 £'000	2020 £'000
Aggregate emoluments	1,465	906
Amounts paid to defined contribution pension plans	11	89
Amounts paid in relation to loss of office	482	-
	<u>£ 1,958</u>	<u>£ 995</u>

During the year the following number of Directors:

	2021 No.	2020 No.
Accrued benefits under money purchase pension schemes	5	4
Accrued benefits under defined benefit pension schemes	0	4

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

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

	2021 £'000	2020 £'000
Aggregate emoluments	<u>£ 451</u>	<u>£ 341</u>

As at 31st December 2021 no pension (2020: £21,450) was accrued under a defined benefit pension scheme for the highest paid Director.

8. Share Based Payments

RiverStone Management participated in a Fairfax group share plan up to 23rd August 2021 whereby options to acquire shares in Fairfax at a nil exercise price have been granted to certain of its employees. The vesting period of options currently granted but not exercised ranged from five to ten years and once the options had vested, they are required to be exercised within five years. The existing options vested in full upon the successful acquisition of Riverstone International by CVC. The individuals to whom options have been granted will have 15 years to exercise the options to acquire Fairfax shares from the acquisition date. Details of options granted by RiverStone Management which remain outstanding at the end of the year are as follows:

	2021 No.	2020 No.
Outstanding 1 st January	30,130	25,650
Granted during the year	230	4,767
Allocated during the year	(57)	(57)
Exercised during the year	(7,515)	(505)
Transfers from other group companies	<u>(4,968)</u>	<u>218</u>
Outstanding 31 st December	<u>17,820</u>	<u>30,073</u>
Exercisable at 31 st December	<u>17,820</u>	<u>11,613</u>

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	Years	Years
Weighted average remaining contractual life of options outstanding at 31 st December	<u>0</u>	<u>0.3</u>

The fair value of the compensation expense for the services received recorded in the Profit and Loss Account and the liability incurred is determined by reference to the market share price of the underlying Fairfax shares. The total compensation expense for 2021 was £4,517,000 (2020: expense of £876,000). The total liability at the end of the year, which is included within Other Creditors on the balance sheet, was £5,323,000 (2020: £5,317,000). Of this amount £8,785,000 (2020: £3,458,000) relates to shares that have fully vested.

The weighted average fair value of options granted in the year is £322 (2020 £199).

During the year, 4,968 options were transferred from RiverStone Management for net book value to an affiliate group company.

9. Other Pension Costs

RiverStone Management now operates just one pension scheme: a defined contribution scheme. The Defined Benefit Scheme was transferred out of the Riverstone International group on 23rd August 2021. Riverstone Holdings Limited was the principal employer, Riverstone Management was the primary participating employer. A valuation of the scheme was performed at the point of disposal where a £19,467k remeasurement gain was recorded in the statement of comprehensive income of Riverstone Holdings, and a loss on disposal was recorded of £24,265k also in Riverstone Holdings.

Defined Benefit Scheme

RiverStone Management was a participating employer in a defined benefit pension scheme ("the Plan") which was closed to new employees with effect from 1st January 2003. The Plan was disposed of on 23rd August 2021 by way of a transfer out of the Riverstone International group.

RiverStone Management's contributions during the year and the charge to the Profit and Loss Account amounted to £10,740,000 (2020: £5,930,000).

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

Defined Contribution Scheme

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

The costs incurred by RiverStone Management under the scheme during the year were £2,183,000 (2020: £1,836,000). Outstanding company contributions payable at 31st December 2021 were £197,000 (2020: £140,000). These contributions have since been paid.

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10. (Loss) Profit before Tax

	2021 £'000	2020 £'000
The (loss) profit before tax is stated after charging		
Hire of plant and machinery – operating leases	81	94
Hire of other assets – operating leases	1,920	1,891
Realised foreign exchange loss	(12)	55
Depreciation – owned	268	214
	£ 2,257	£ 2,254

11. Tax on profit (loss)

	2021 £'000	2020 £'000
(a) Current tax		
UK corporation tax at 19% (2020: 19%) based on the profit (loss) for the year	(3)	266
Group relief claimed for nil consideration	3	(266)
Adjustment related to prior year	-	135
	£ -	£ 135

(b) Factors affecting the tax charge for the year

The corporation tax assessed for the year differs (2020: differs) 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	£ (12)	£ 125
(Loss) Profit before tax multiplied by the UK corporation tax rate of 19% (2020: 19%)	(3)	24
Non-taxable investment income and investment gains	(473)	415
Expenses not deductible for tax purposes	579	-
Capital allowances claim	(115)	(135)
Group relief claimed for nil consideration	3	(304)
Adjustment related to prior year	-	135
Total tax charge for the year	£ -	£ 135

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12. Tangible Assets

	Fixtures and Fittings £'000	Motor Vehicles £'000	Leasehold Improvements £'000	Total £'000
Cost				
At 1 January 2021	296	10	1,275	1,581
Additions	<u>4</u>	<u>-</u>	<u>14</u>	<u>18</u>
At 31 December 2021	<u>300</u>	<u>10</u>	<u>1,289</u>	<u>1,599</u>
Accumulated depreciation				
At 1 January 2021	(127)	(10)	(711)	(848)
Charge for the year	<u>(81)</u>	<u>-</u>	<u>(163)</u>	<u>(244)</u>
At 31 December 2021	<u>(208)</u>	<u>(10)</u>	<u>(874)</u>	<u>(1,092)</u>
Net book value				
At 31 December 2021	£ <u>92</u>	£ <u>-</u>	£ <u>415</u>	£ <u>507</u>
At 31 December 2020	£ <u>169</u>	£ <u>-</u>	£ <u>564</u>	£ <u>733</u>

13. Other Financial Investments

	2021 £'000	2020 £'000
Preference shares	£ <u>6,486</u>	£ <u>7,517</u>

Refer to note 8, RiverStone Management participates in a Fairfax group share plan whereby options to acquire shares in Fairfax at a nil exercise price have been granted to certain of its employees. The vesting period of options currently granted but not exercised ranges from five to ten years and once the options have vested, they are required to be exercised within five years. The existing options vested in full upon the successful acquisition of Riverstone International by CVC. The individuals to whom options have been granted will have 15 years to exercise the options to acquire Fairfax shares from the acquisition date. These preference shares represent the vested options not yet exercised. These are all considered to be level 2 investments.

14. Debtors

	2021 £'000	2020 £'000
Amounts owed by group undertakings	15,496	6,214
Other debtors	412	1,367
Prepayments and accrued income	<u>1,212</u>	<u>968</u>
	£ <u>17,120</u>	£ <u>8,549</u>

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15. Deferred Tax

No deferred tax asset has been recognised in these financial statements as the Directors cannot be certain of an actual tax benefit crystallizing. The potential deferred tax asset not recognised amounts to:

	2021 £'000	2020 £'000
Excess capital allowances	601	551
Short term timing differences	-	611
Potential deferred tax asset not recognised	£ 601	£ 1,162

16. Called up Share Capital

	2021 £'000	2020 £'000
<u>Allotted and fully paid</u>		
100,000 (2020: 100,000) ordinary shares of £1 each	£ 100	£ 100

17. Creditors: Amounts Falling Due Within One Year

	2021 £'000	2020 £'000
Trade creditors	572	210
Amounts owed to group undertakings	9,780	427
Other creditors	6,486	5,317
Tax and social security	702	766
Accruals and deferred income	10,904	10,147
	£ 28,445	£ 16,867

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

18. Other Financial Commitments

At 31st December 2021, RiverStone Management was committed to making the following minimum payments under non-cancellable operating leases for each of the following periods:

	2021 £'000	2020 £'000
Within one year	2,075	2,085
Between one and five years	8,261	8,319
Over five years	17,544	10,688
	£ 27,880	£ 21,092

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19. Related Party Transactions and Immediate and Ultimate Parent Company

RiverStone Management is a wholly owned subsidiary of RiverStone Holdings Limited ("RiverStone Holdings") which is registered in England and Wales. The ultimate parent company and controlling party is Gatland Holdings Jersey Limited ("Gatland") which is registered in Jersey. Exemption has been taken under FRS102 section 33.1A to not disclose group related balances.

