

COMPANY NO. 2709527

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

# **RiverStone Holdings Limited**

## **2014 Annual Report**

**RiverStone Holdings Limited (Company No. 2709527)**  
**Annual Report**  
**For the year ended 31<sup>st</sup> December 2014**

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**RiverStone Holdings Limited (Company No. 2709527)**  
**Directors and Administration**  
**For the year ended 31<sup>st</sup> December 2014**

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**Directors**

J. J. Bator  
N. C. Bentley  
L. A. Hemsley  
L. R. Tanzer

**Company Secretary**

F. Henry

**Registered Office**

Park Gate  
161-163 Preston Road  
Brighton  
BN1 6AU

**Independent Auditors**

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

# **RiverStone Holdings Limited (Company No. 2709527)**

## **Strategic Report**

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

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The Directors have pleasure in presenting the Strategic Report of RiverStone Holdings Limited (“RiverStone Holdings” or “the Company”) for the year ended 31<sup>st</sup> December 2014.

#### **Ownership**

RiverStone Holdings’ ultimate parent company is Fairfax Financial Holdings Limited (“Fairfax”) which is registered in Canada and is listed on the Toronto Stock Exchange. The registered office of Fairfax is 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada M5J 2N7.

#### **Principal Activity**

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

RiverStone Holdings has two primary run-off insurance subsidiaries, RiverStone Insurance (UK) Limited (“RiverStone Insurance (UK)”) and RiverStone Insurance Limited (“RiverStone Insurance”).

In addition, RiverStone Holdings participates in the Lloyd’s market through RiverStone Corporate Capital Limited, which is the sole corporate member of Syndicate 3500.

RiverStone Holdings’ operations are administered by two managing agents. RiverStone Holdings’ non-Lloyd’s business is managed by RiverStone Management Limited. Lloyd’s related business is managed by RiverStone Managing Agency Limited. Additionally staff are employed directly by RiverStone Insurance.

#### **Business Review**

##### ***Results and Performance***

The results for the year set out in the profit and loss account show a profit for the financial year of £44 million (2013: £66.3 million).

In June 2014 RiverStone Holdings received dividends from two of its subsidiaries, RiverStone Insurance (UK) (£39.5 million) and RiverStone Corporate Capital Limited (£3.7 million). On 2<sup>nd</sup> July 2014 RiverStone Holdings paid a dividend of £36.2 million.

Shareholders’ funds have increased to £452.8 million from £423.3 million at the end of 2013. The increase in shareholders’ funds comprises the profit for the financial year of £44 million and unrealised foreign exchange gains of £26.5 million, offset by the dividend of £36.2 million and actuarial losses recognised on the pension scheme of £4.8 million.

Effective 4<sup>th</sup> December 2014, RiverStone Insurance (UK) entered into an agreement to reinsure a portfolio primarily comprised of medical malpractice liabilities arising from direct policies issued to hospitals in Italy between 2007 and 2010. This resulted in the addition of £42 million to the gross technical provisions of RiverStone Insurance (UK). Also effective 4<sup>th</sup> December 2014, RiverStone Insurance (UK) entered into an agreement with an affiliated company to reinsure all of these liabilities

RiverStone Holdings has made good progress in relation to key elements of its strategy, through continued reduction in gross loss reserves and reinsurance recoverables.

# RiverStone Holdings Limited (Company No. 2709527)

## Strategic Report

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

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### *Strategy and Future Developments*

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

Over the past several years, RiverStone Holdings and its subsidiaries have acquired a number of run-off portfolios of business either associated with certain Fairfax operations in Europe or from unaffiliated parties. RiverStone Holdings' main focus continues to be the run-off of these portfolios, together with actively seeking to acquire further portfolios of run-off business.

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

### **Principal Risks and Uncertainties**

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

RiverStone Holdings has developed a framework for identifying the risks that it is exposed to and their impact on economic capital. This process is risk based and uses Individual Capital Assessment principles to manage the Group's capital requirements and to ensure that it has the financial strength and capital adequacy for its insurance subsidiaries to support the continued run off of the business and to meet the obligations to policyholders and regulators. RiverStone Holdings' subsidiaries are prepared for the implementation of the European Solvency II Directive, which comes into force on 1 January 2016. The Directors consider that RiverStone Holdings' capital is adequate to meet its business needs both under the current and future Solvency II regulatory capital regimes.

The principal risks faced by RiverStone Holdings arise from fluctuations in the severity of claims within its subsidiaries compared with expectations, late reporting of claims and inadequate reinsurance protection (including the credit worthiness of major reinsurers) and inadequate reserving.

By Order of the Board



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

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

# **RiverStone Holdings Limited (Company No. 2709527)**

## **Directors' Report**

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

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The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Holdings Limited (Company No. 2709527) ("RiverStone Holdings" or "the Company") for the year ended 31<sup>st</sup> December 2014.

#### **Directors**

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

J. J. Bator  
N. C. Bentley  
L. A. Hemsley  
L. R. Tanzer

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

#### **Future Developments**

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

#### **Dividends**

An interim dividend of £36.2 million was paid during 2014 (2013: nil). The Directors do not recommend the payment of a final dividend (2013: nil).

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# RiverStone Holdings Limited (Company No. 2709527)

## Directors' Report

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

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

### Statement of Disclosure of Information to Auditors

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

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

By Order of the Board

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



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

**RiverStone Holdings Limited (Company No. 2709527)**  
**Independent Auditors' Report to the Members of RiverStone Holdings Limited**  
**For the year ended 31<sup>st</sup> December 2014**

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**Report on the financial statements**

*Our opinion*

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> December 2014 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

*What we have audited*

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

- the balance sheet as at 31<sup>st</sup> December 2014
- the profit and loss account for the year then ended
- the statement of total recognised gains and losses for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

*What an audit of financial Statements involves*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**RiverStone Holdings Limited (Company No. 2709527)**  
**Independent Auditors' Report to the Members of RiverStone Holdings Limited**  
**For the year ended 31<sup>st</sup> December 2014**

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

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Other matters on which we are required to report by exception**

*Adequacy of accounting records and information and explanations received*

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

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

We have no exceptions to report arising from this responsibility.

*Directors' remuneration*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

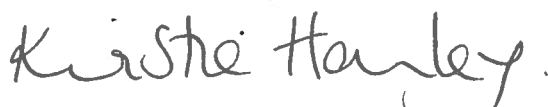
**Responsibilities for the financial statements and the audit**

*Our responsibilities and those of the directors*

As explained more fully in the Directors' Responsibilities Statement set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



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

**RiverStone Holdings Limited (Company No. 2709527)**  
**Profit and Loss Account**  
**For the year ended 31<sup>st</sup> December 2014**

	Note	2014 £'000	2013 £'000
Change in value of subsidiaries		(937)	66,651
Other operating charges		84	121
Income from shares in group undertakings		43,198	-
Realised gains on investments		12	-
Investment expenses and charges		<u>-</u>	<u>12</u>
<b>Operating profit</b>		<b>42,357</b>	<b>66,784</b>
Foreign exchange gains (losses)		<u>1,605</u>	<u>(759)</u>
<b>Profit on ordinary activities before tax</b>		<b>43,962</b>	<b>66,025</b>
Tax on profit on ordinary activities	5	<u>-</u>	<u>265</u>
<b>Profit for the financial year</b>	10	<b>£ <u>43,962</u></b>	<b>£ <u>66,290</u></b>

The results above are all derived from continuing operations.

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

**RiverStone Holdings Limited (Company No. 2709527)**  
**Statement of Total Recognised Gains and Losses**  
**For the year ended 31<sup>st</sup> December 2014**

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	Note	2014 £'000	2013 £'000
Profit for the financial year		43,962	66,290
Actuarial loss recognised in the year on pension scheme	4	(4,845)	(2,325)
Foreign exchange gains (losses)	10	<u>26,503</u>	<u>(10,431)</u>
<b>Total gains recognised during the year</b>		<b>£ <u>65,620</u></b>	<b>£ <u>53,534</u></b>

# RiverStone Holdings Limited (Company No. 2709527)

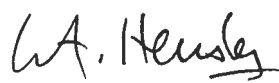
## Balance Sheet

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

	Note	2014 £'000	2013 £'000
<b>Assets</b>			
<b>Fixed Assets</b>			
Investments in subsidiary undertakings	6	486,016	458,484
<b>Current Assets</b>			
Debtors: amounts falling due within one year	7	9	359
Cash at bank and in hand		149	129
<b>Total assets excluding pension asset</b>		<b>486,174</b>	<b>458,972</b>
Pension asset	4	1,915	-
<b>Total assets including pension asset</b>		<b>£ 488,089</b>	<b>£ 458,972</b>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	9	308,670	293,322
Share premium	10	65,603	61,851
Profit and loss account	10,11	78,519	68,171
<b>Total shareholders' funds</b>	10	<b>452,792</b>	<b>423,344</b>
<b>Creditors</b>			
Amounts falling due within one year	12	35,297	35,041
<b>Total liabilities excluding pension liability</b>		<b>488,089</b>	<b>458,385</b>
Pension liability	4	-	587
<b>Total liabilities including pension liability</b>		<b>£ 488,089</b>	<b>£ 458,972</b>

The financial statements on pages 10 to 21 were approved by the Board of Directors on 5 March 2015 and were signed on its behalf by:

  
L. R. Tanzer  
Director

  
L. A. Hemsley  
Finance Director

**RiverStone Holdings Limited (Company No. 2709527)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2014**

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**1. Accounting Policies**

**(a) Basis of Accounting**

The financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of investments in subsidiary undertakings and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies adopted by RiverStone Holdings Limited ("RiverStone Holdings") are set out below and are consistent with those adopted in previous years.

The financial statements contain information about RiverStone Holdings as an individual company and do not contain consolidated financial information as the parent of a group. RiverStone Holdings is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings (together "the Group") are included by full consolidation in the consolidated financial statements of its parent, Fairfax Financial Holdings Limited ("Fairfax"), a company incorporated in Canada.

**(b) Cash flows**

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

**(c) Translation of Foreign Currencies**

Items included in RiverStone Holdings' financial statements are measured using the currency of the primary economic environment in which it operates. RiverStone Holdings' functional currency is the US Dollar. The financial statements are stated in RiverStone Holdings' presentational currency which is Pounds Sterling. The Sterling to US Dollar rate at year end was 1.5593.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. 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 period. All exchange differences arising from the translation from functional currency to presentation currency are recognised through the Statement of Total Recognised Gains and Losses as a separate component of equity.

**(d) Pensions**

RiverStone Holdings is the principal employer for the Group's defined benefit pension scheme. The cost of the pension scheme is analysed between current service cost, past service cost and net return on the pension scheme. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising as a result of the introduction of, or improvement to, retirement benefits, are recognised on a straight-line basis over the period in which the increase in benefits vest.

Net expected return on the pension scheme comprises the expected return on the pension scheme assets less interest on scheme liabilities.

# RiverStone Holdings Limited (Company No. 2709527)

## Notes to the Financial Statements

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

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

Further details of the pension scheme are given in Note 4.

(e) **Deferred Tax**

Deferred tax assets and liabilities are established for differences between amounts reported in the financial statements and amounts reported in RiverStone Holdings' annual corporation tax returns, including revaluation gains and losses on investments. Deferred taxes are calculated at the rates at which it is expected that the tax liability or benefit will arise. Deferred tax assets are recognised to the extent that they are regarded as more likely than not recoverable. Deferred tax balances are not discounted. 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 Total Recognised Gains and Losses.

(f) **Investment in subsidiary undertakings**

Unlisted investments in subsidiary undertakings are initially recorded at cost and subsequently carried stated at current net asset value. Any changes in value are recognised in the profit and loss account in the year in which they occur.

(g) **Dividend income**

Dividends receivable from subsidiary undertakings are recognised in the Profit and Loss Account when declared.

## 2. **Auditors' Remuneration**

	2014 £'000	2013 £'000
Audit	£ <u>1</u>	£ <u>1</u>

## 3. **Directors and Employees**

No amounts were charged to RiverStone Holdings in the year in respect of directors' services (2013: nil).

RiverStone Holdings has no employees (2013: nil).

## 4. **Pension Costs**

RiverStone Holdings is the principal employer for the Group's defined benefit scheme ("the Plan"). The Plan was closed to new entrants with effect from 1<sup>st</sup> January 2003 and its funds are administered by trustees. The Plan is non-contributory for members. Company contributions are paid to the Plan in accordance with the recommendations of an independent actuarial advisor. As the Plan is closed to

**RiverStone Holdings Limited (Company No. 2709527)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2014**

new entrants, under the method used to calculate pension costs in accordance with FRS17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

An actuarial valuation of the Plan was carried out at 31<sup>st</sup> March 2014. The principal assumptions are as follows:

	<b>31<sup>st</sup> December 2014 £'000</b>	<b>31<sup>st</sup> December 2013 £'000</b>
RPI inflation	3.1%	3.4%
CPI inflation	2.1%	2.7%
Discount rate	3.9%	4.5%
Rate of increase in salaries	3.8%	3.8%
Pension increases in payment (RPI capped at 5%)	3.0%	3.3%
Pension increases in payment (RPI capped at 2.5%)	2.1%	2.2%
Pension increases in payment (CPI capped at 5%)	2.1%	2.7%
Pension increases in payment (CPI capped at 3%)	1.9%	2.3%

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

	<b>31<sup>st</sup> December 2014 £'000</b>	<b>31<sup>st</sup> December 2013 £'000</b>
Present value of defined benefit obligation	(83,916)	(75,075)
Fair value of plan assets	<u>85,831</u>	<u>74,488</u>
Surplus (deficit) included in balance sheet	1,915	(587)
Related unrecognised deferred tax (liability) asset	<u>(383)</u>	<u>117</u>
<b>Pro forma asset (liability) net of deferred tax</b>	<b>£ <u>1,532</u></b>	<b>£ <u>(470)</u></b>

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

	<b>2014 £'000</b>	<b>2013 £'000</b>
Employer's part of current service cost	1,277	1,098
Gain on settlements and curtailments	-	-
Interest cost	3,343	3,025
Expected return on plan assets	<u>(3,167)</u>	<u>(2,859)</u>
<b>Total expense included in profit and loss account</b>	<b>£ <u>1,453</u></b>	<b>£ <u>1,264</u></b>

**RiverStone Holdings Limited (Company No. 2709527)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2014**

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

	<b>31<sup>st</sup> December 2014</b>	<b>31<sup>st</sup> December 2013</b>
Equity instruments	50%	50%
Debt instruments	50%	50%
	<u><b>100%</b></u>	<u><b>100%</b></u>

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

	<b>2014 £'000</b>	<b>2013 £'000</b>
Opening defined benefit obligation	75,075	67,511
Employer's part of current service cost	1,277	1,098
Interest cost	3,343	3,025
Contributions from plan members	-	-
Actuarial loss	5,779	5,102
Benefits paid	(1,558)	(1,661)
Curtailment result	-	-
<b>Closing defined benefit obligation</b>	<b>£ <u>83,916</u></b>	<b>£ <u>75,075</u></b>

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

	<b>2014 £'000</b>	<b>2013 £'000</b>
Opening fair value of plan assets	74,488	66,402
Expected return on plan assets	3,167	2,859
Actuarial gain	934	2,776
Contributions by the employer	8,800	4,112
Contributions by plan members	-	-
Benefits paid	(1,558)	(1,661)
<b>Closing fair value of plan assets</b>	<b>£ <u>85,831</u></b>	<b>£ <u>74,488</u></b>

The actual return on the Plan's assets over the year was a gain of £4,100,000 (2013: £5,635,000).

The amount recognised in RiverStone Holdings' Statement of Total Recognised Gains and Losses for 2014 is a loss of £4,844,796 (2013: loss of £2,325,000). The cumulative amount recognised through RiverStone Holdings' Statement of Total Recognised Gains and Losses at 31<sup>st</sup> December 2014 is a loss of £15,446,290.



**RiverStone Holdings Limited** (Company No. 2709527)  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2014**

Amounts for the current year and previous four years are as follows:

	31 <sup>st</sup> December 2014 £'000	31 <sup>st</sup> December 2013 £'000	31 <sup>st</sup> December 2012 £'000	31 <sup>st</sup> December 2011 £'000	31 <sup>st</sup> December 2010 £'000
Present value of defined benefit obligation	(83,916)	(75,075)	(67,511)	(61,880)	(58,137)
Fair value of plan assets	85,831	74,488	66,402	64,543	56,496
<b>Surplus (deficit)</b>	<b>£ 1,915</b>	<b>£ (587)</b>	<b>£ (1,109)</b>	<b>£ 2,663</b>	<b>£ (1,641)</b>

History of Experience Gains and Losses:

	31 <sup>st</sup> December 2014 £'000	31 <sup>st</sup> December 2013 £'000	31 <sup>st</sup> December 2012 £'000	31 <sup>st</sup> December 2011 £'000	31 <sup>st</sup> December 2010 £'000
<b>Experience adjustments on plan assets</b>					
Amount of gain (loss)	934	2,776	(3,973)	2,773	6,173
Percentage of plan assets	1%	4%	(6%)	4%	11%
<b>Experience adjustments on plan liabilities</b>					
Amount of (loss) gain	(249)	38	(244)	(287)	343
Percentage of the present value of the plan liabilities	-	-	(1%)	(1%)	1%

**5. Tax on Profit on Ordinary Activities**

	2014 £'000	2013 £'000
<b>Current tax</b>		
UK corporation tax at 21.5% (2013: 23.25%) based on the profit for the year	(1,185)	(815)
Group relief surrendered for nil consideration	1,185	815
Group relief surrender related to prior year	-	(265)
	<b>£ -</b>	<b>£ (265)</b>

**Factors affecting the tax charge for the year**

The corporation tax assessed for the year differs to the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

**RiverStone Holdings Limited (Company No. 2709527)**  
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	2014 £'000	2013 £'000
<b>Profit on ordinary activities before tax</b>	£ <u>43,962</u>	£ <u>66,025</u>
Profit on ordinary activities before tax multiplied by the UK corporation tax rate of 21.5% (2013: 23.25%)	9,452	15,351
Non-taxable change in value of subsidiaries	201	(15,497)
Non-taxable dividend income	(9,287)	-
Non-taxable other income	(1,551)	(669)
Group relief surrendered for nil consideration	1,185	815
Group relief surrender related to prior years	-	(265)
<b>Current tax charge (credit) for the year</b>	£ <u>-</u>	£ <u>(265)</u>

**6. Investments in Subsidiary Undertakings**

RiverStone Holdings owns, directly or indirectly, all of the ordinary issued share capital of the following companies (none of which are listed). In the opinion of the directors, the carrying value of the investments in subsidiary undertakings on the balance sheet of RiverStone Holdings is supported by the underlying net assets.

	Shareholders' Equity at 31 Dec 2013 £'000	Profit And Loss £'000	Dividends £'000	Foreign Exchange £'000	Other £'000	Shareholders' Equity at 31 Dec 2014 £'000
Sphere Drake Acquisitions (UK) Ltd Dormant	50	-	-	-	-	50
RiverStone Management Ltd Run-off Agency	685	16	-	-	(69)	632
Sphere Drake Leasing Ltd Leasing Company	171	-	-	-	-	171
RiverStone Corporate Capital Ltd Corporate member at Lloyd's	3,479	-	(3,749)	376	-	106
RiverStone Corporate Capital 2 Ltd Corporate member at Lloyd's	358	-	-	-	-	358
RiverStone Insurance (UK) Ltd General Insurance	236,652	9,072	(39,449)	12,997	149	219,421
RiverStone Managing Agency Ltd Lloyd's Agency	11	-	-	-	-	11
RiverStone Insurance Limited General Insurance	217,078	48,187	-	2	-	265,267
	<u>458,484</u>	<u>57,275</u>	<u>(43,198)</u>	<u>13,375</u>	<u>80</u>	<u>486,016</u>

All subsidiaries are registered in England and Wales.

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**7. Debtors: Amounts Falling Due within One Year**

	2014 £'000	2013 £'000
Amounts owed by group undertaking	-	359
Other debtors	9	-
	<u>£ 9</u>	<u>£ 359</u>

**8. 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:

	2014 £'000	2013 £'000
Trading losses available to carry forward	<u>£ 1,151</u>	<u>£ 1,083</u>

**9. Called up Share Capital**

	2014	2013
46,606,341 (2013: 46,606,341) Ordinary Shares of £1	<u>£ 46,606,341</u>	<u>£ 46,606,341</u>
348,404,620 (2013: 348,404,620) Ordinary Shares of \$1	<u>\$ 348,404,620</u>	<u>\$ 348,404,620</u>
68,432,731 (2013: 68,432,731) Ordinary Shares of \$0.88	<u>\$ 60,220,803</u>	<u>\$ 60,220,803</u>

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

	2014 £'000	2013 £'000
<u>Total allotted and fully paid</u>		
46,606,341 (2013: 46,606,341) Ordinary Shares of £1	46,606	46,606
348,404,620 (2013: 348,404,620) Ordinary Shares of \$1	223,442	210,356
68,432,731 (2013: 68,432,731) Ordinary Shares of \$0.88	38,622	36,360
	<u>£ 308,670</u>	<u>£ 293,322</u>

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

	Called Up Share Capital £'000	Share Premium £'000	Profit & Loss Account £'000	2014 Total £'000	2013 Total £'000
As at 1 <sup>st</sup> January	293,322	61,851	68,171	423,344	369,810
Profit for the financial year	-	-	43,962	43,962	66,290
Actuarial loss recognised in the year on pension scheme	-	-	(4,845)	(4,845)	(2,325)
Dividend paid	-	-	(36,172)	(36,172)	-
Exchange movements	15,348	3,752	7,403	26,503	(10,431)
<b>As at 31<sup>st</sup> December</b>	<b>£ 308,670</b>	<b>£ 65,603</b>	<b>£ 78,519</b>	<b>£ 452,792</b>	<b>£ 423,344</b>

**11. Dividends**

	2014 £'000	2013 £'000
<b>Ordinary Shares</b>		
Final paid	-	-
Interim paid	36,172	-
	<b>£ 36,172</b>	<b>£ -</b>

The Directors do not recommend the payment of a final dividend.

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

	2014 £'000	2013 £'000
Amounts owed to group undertakings	£ 35,297	£ 35,041

**13. Litigation and Contingent Liabilities**

RiverStone Holdings has provided a letter of support to RiverStone Managing Agency Limited whereby funds will be made available to this company to ensure liabilities are met as they fall due for payment.

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

RiverStone Holdings is a wholly owned subsidiary of Fairfax Luxembourg Sarl, which is registered in Luxembourg. The ultimate parent company and controlling party is Fairfax which is registered in Canada and listed on the Toronto Stock Exchange.

Advantage has been taken of the exemption from the requirement to disclose transactions with related parties within the same group as provided by Financial Reporting Standard No. 8 "Related Party

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Disclosures". This exemption is available for RiverStone Holdings as consolidated financial statements are publicly available for Fairfax.

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