COMPANY NO. 2763688

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

RiverStone Insurance Limited

(formerly Brit Insurance Limited)

2012 Annual Report

RiverStone Insurance Limited (formerly Brit Insurance Limited)
(Company No. 2763688)
Annual Report
For the year ended 31st December 2012

Contents

Directors and Administration
For the year ended 31st December 2012

Directors

J. J. Bator
N. C. Bentley
L. A. Hemsley
A. J. Keys
A. J. Masterson
T. Riddell
L. R. Tanzer

Company Secretary

F. Henry

Registered Office

Park Gate
161-163 Preston Road
Brighton
BN1 6AU

Independent Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

The Directors have pleasure in presenting the Annual Report of RiverStone Insurance Limited ("RiverStone Insurance" or "the Company") comprising the Directors' Report together with the audited financial statements for the year ended 31st December 2012.

Ownership

On 12th October 2012 100% of RiverStone Insurance's share capital was purchased by RiverStone Holdings Limited ("RiverStone Holdings"), a company registered in England and Wales.

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

Change of Name

On 15th October 2012 the name of the Company was changed from Brit Insurance Limited to RiverStone Insurance Limited.

Principal Activity

Following the completion of a strategic review by its previous parent company, RiverStone Insurance ceased writing new business during the course of 2012 and is now in runoff. RiverStone Insurance is authorised to carry on all classes of general insurance business and is now engaged in the runoff of the assets and liabilities associated with the insurance and reinsurance business previously written.

With effect from 12th October 2012, the operations of RiverStone Insurance have been administered by RiverStone Management Limited ("RiverStone Management") which is a fellow subsidiary of RiverStone Holdings. Prior to the acquisition by RiverStone Holdings the operations of RiverStone Insurance were managed by Brit Group Services Limited ("Brit Group Services"). A transitional services agreement is in place between RiverStone Management and Brit Group Services under which administration assistance and systems are provided by Brit Group Services until 30th September 2013.

Business Review

Results and Performance

The results for the year set out in the profit and loss account show a profit after taxation of £17.4 million (2011: £26.7 million).

RiverStone Insurance paid interim dividends during 2012 of £183.1 million (2011: £80 million). The Directors do not recommend a final dividend for the year ended 31st December 2012 (2011: £nil).

On 13th April 2012 RiverStone Insurance completed the sale of its UK business renewal rights to QBE Management Services (UK) ("QBE"). The sale included renewal rights to the UK business, systems and software, the benefit to certain contracts with third party suppliers and a transfer of all UK underwriting staff from Brit Group Services. To assist in the smooth transition of the business to QBE, RiverStone Insurance entered into a transitional services agreement to provide QBE with access to certain systems and support services for a period of up to 18 months from the sale date.

RiverStone Insurance continued to receive premiums for new policies bound within 20 working days of completion of the sale of renewal rights to QBE where a binding quote was issued by RiverStone Insurance during the two months prior to this date and for any mid-term adjustments on existing open market and binder policies. RiverStone Insurance continued to write business through binding authority arrangements until they were novated to QBE. All such business written subsequent to 30th June 2012 is covered by a 100% quota share reinsurance from QBE.

Effective 1st October 2012 RiverStone Insurance commuted certain quota share reinsurance arrangements that were in place with Brit Insurance Gibraltar (PCC) Limited ("Brit Insurance Gibraltar").

Also effective 1st October 2012, RiverStone Insurance entered into a new quota share arrangement to reinsure 100% of certain classes of business into Brit Insurance Gibraltar. On the effective date of this arrangement the amount of net reserves reinsured was approximately £356 million.

On 20th June 2012 39 employees were transferred into RiverStone Insurance from Brit Group Services. Headcount at the end of the year was 32.

As a result of going into runoff and the new quota share reinsurance with Brit Gibraltar 2012 written premiums are reduced from 2011 levels, with gross written premium lower by 58%, outwards reinsurance premiums higher by 147% and net written premiums 185% lower.

The balance on the technical account for general business for 2012 amounts to a loss of £26.7 million (2011 Restated losses of £2 million).

The profit on ordinary activities before taxation amounts to £21.6 million (2011: £30.3 million) and includes £29.9 million relating to the profit on the sale of UK renewal rights to QBE, offset by a loss of £29.1 million on the changes in the reinsurance arrangements with Brit Gibraltar.

Shareholders' funds have decreased to £189.9 million from £355.6 million at the end of 2011. The decrease in shareholders' funds comprises the profit after taxation of £17.4 million less the interim dividends paid of £183.1 million.

Principal risks and uncertainties

The information on principal risks and uncertainties is disclosed in note 2

Strategy and Future Outlook

RiverStone Insurance's primary focus is to conduct a timely and efficient runoff of its liabilities and it will work towards a strategy to settle all outstanding liabilities and recover its insurance reinsurance assets.

The board of directors of RiverStone Insurance considers that the insurance operations of the Company are adequately capitalised based on the remaining risks and level of volatility inherent in its business.

Directors

Directors holding office during the period from 1st January 2012 to the date of this report were:

J. J. Bator (appointed 12th October 2012)
N. C. Bentley (appointed 12th October 2012)
M. B. Cloutier (resigned 31st May 2012)
M. J. Beane (resigned 31st May 2012)
R. C. Cox (resigned 13th April 2012)
S. Egan (resigned 30th March 2012)
P. F. Hazell (resigned 12th October 2012)
L. A. Hemsley (appointed 12th October 2012)
A. J. Keys (appointed 12th October 2012)
A. J. Masterson (appointed 12th October 2012)
A. J. Medniuk (resigned 12th October 2012)
N. E. T. Prettejohn (resigned 12th October 2012)
T. Riddell (appointed 18th October 2012)
L. R. Tanzer (appointed 12th October 2012)
J. R. Turner (resigned 6th February 2012)
P. D. Webster (resigned 12th October 2012)
M. Wilson (resigned 12th October 2012)

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 judgments 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.

Going Concern

The directors have a reasonable expectation that RiverStone Insurance has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Other Matters

In March 2012, the Company's then parent company, Brit Insurance Holdings Limited, indemnified certain of the Directors in respect of any losses and expenses suffered by them in connection with the reduction of the Company's share capital and the statement of solvency made by the Directors pursuant to section 643 of the Companies Act 2006. The indemnity was a qualifying third party indemnity provision for the purposes of Section 234 of the Companies Act 2006.

Statement of Disclosure of Information to Auditors

The Company's Auditor is Ernst & Young 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 relevant audit information of which the Company's auditors are unaware; and
- he or she has taken all the steps that ought to have been taken 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

F. Henry
Company Secretary
6th March 2013

We have audited the financial statements of RiverStone Insurance Limited for the year ended 31st December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24. 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), having regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2012, and the effect of the movement in those provisions during the year on shareholders' funds, the balance on the general business technical account and profit before taxation, is disclosed in note 21.

This report is made solely to the Company's member 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 member those matters we are required to state to them in an Auditors' 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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. If we become aware of any apparent material misstatements or inconsistencies we consider the implication in our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2012 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.

Opinion on Other Matter Prescribed by the Companies Act 2006

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

Matters on which we are required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Michael Purrington (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
9th March 2013

RiverStone Insurance Limited (formerly Brit Insurance Limited)
(Company No. 2763688)
Profit and Loss Account - Technical Account
For the year ended 31st December 2012

	Note	2012 £'000	2011 Restated £'000
Earned premiums, net of reinsurance			
Gross premiums written		230,762	550,458
Outward reinsurance premiums		(519,366)	(210,305)
Net premiums written		**(288,604)**	**340,153**
Change in the gross provision for unearned premiums		170,852	49,932
Change in the provision for unearned premiums, reinsurers' share		(39,870)	(15,441)
Net change in the provision for unearned premiums		**130,982**	**34,491**
Earned premiums, net of reinsurance		**(157,622)**	**374,644**
Gross claims paid		(387,572)	(455,379)
Reinsurers' share		312,598	163,839
Net claims paid		(74,974)	(291,540)
Change in the provision for gross claims		204,567	46,557
Reinsurers' share		132,868	58,264
Net change in the provision for claims		337,435	104,821
Claims incurred, net of reinsurance	4	**262,461**	**(186,719)**
Net operating expenses	5	(132,062)	(188,051)
Change in the equalisation provision	21	556	(1,897)
Total technical charges		**130,955**	**(376,667)**
Balance on the technical account for general business		**£ (26,667)**	**£ (2,023)**

RiverStone Insurance Limited (formerly Brit Insurance Limited)
(Company No. 2763688)
Profit and Loss Account - Non-Technical Account
For the year ended 31st December 2012

	Note	2012 £'000	2011 Restated £'000
Balance on the technical account for general business		**(26,667)**	**(2,023)**
Investment income	9	25,559	39,289
Unrealised (losses) gains on investments		(1,189)	(8,117)
Realised gains (losses) on investments		14,775	(3,493)
Return on derivative contracts		(905)	2,239
Investment expenses and charges		(1,243)	(1,791)
Net investment return		**36,997**	**28,127**
Interest receivable and similar income	10	427	425
Interest payable and similar charges	11	(1)	(29)
Other income	12	29,898	-
Foreign exchange (losses) gains	13	(19,044)	3,787
Profit on ordinary activities before taxation		**21,610**	**30,287**
Taxation on profit on ordinary activities	14	(4,204)	(3,580)
Profit for the financial year		**£ 17,406**	**£ 26,707**

RiverStone Insurance's income and expenses all relate to continuing operations.

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

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

RiverStone Insurance Limited (formerly Brit Insurance Limited)
(Company No. 2763688)
Balance Sheet
As at 31st December 2012

	Note	2012 £'000	2011 £'000
Assets			
Investments			
Financial investments	15	**634,843**	**1,263,789**
Reinsurers' share of technical provisions			
Provision for unearned premiums		31,247	71,172
Claims outstanding		516,898	387,629
		548,145	**458,801**
Debtors			
Debtors arising out of direct insurance operations	17	68,671	121,798
Debtors arising out of reinsurance operations		65,826	64,372
Other debtors	18	12,976	675
		147,473	**186,845**
Other assets			
Cash at bank and in hand		**127,381**	**82,295**
Prepayments and accrued income			
Deferred acquisition costs		21,475	62,588
Accrued income		5,442	12,912
Total assets		**£ 1,484,759**	**£ 2,067,230**

RiverStone Insurance Limited (formerly Brit Insurance Limited)
(Company No. 2763688)
Balance Sheet
As at 31st December 2012

	Note	2012 £'000	2011 £'000
Liabilities			
Capital and reserves			
Called up share capital	19	100,000	278,000
Profit and loss account	20	89,918	77,585
Total shareholder's funds	20	**189,918**	**355,585**
Technical provisions			
Provision for unearned premiums		68,285	239,043
Claims outstanding		1,065,875	1,285,952
Equalisation provision	21	40,599	41,155
		1,174,759	**1,566,150**
Creditors: Amounts falling due within one year			
Creditors arising out of direct insurance operations		6,458	12,699
Creditors arising out of reinsurance operations		106,738	112,594
Derivative contracts	16	2,233	201
Other creditors	22	4,031	12,920
		119,460	**138,414**
Deposits received from reinsurers		-	3,050
Accruals and deferred income	23	622	4,031
Total liabilities and shareholder's funds		**£ 1,484,759**	**£ 2,067,230**

The financial statements on pages 10 to 32 were approved by the Board of Directors on 6th March 2013 and were signed on its behalf by:-

L. R. Tanzer
Director

L. A. Hemsley
Director

1 Accounting Policies

(a) Basis of Preparation

The financial statements of RiverStone Insurance Limited ("RiverStone Insurance" or "the Company") have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified by the revaluation of investments.

The financial statements of RiverStone Insurance have been prepared in accordance with Section 6 of, and Schedule 3 to, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 pursuant to section 396 of the Companies Act 2006. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 as amended in December 2006 (the "ABI SORP") have been adopted.

With effect from 2012, in connection with going into runoff, RiverStone Insurance has allocated all investment return to the non-technical profit and loss account to bring it into line with the RiverStone Holdings Limited group policy. The main effect of this change in accounting policy is in the presentation of items in the profit and loss account.

In accordance with FRS 28 ('Comparative Accounts'), the comparative figures in the primary statements and notes have been restated to reflect the uniform application of the new policy outlined above.

The presentational effect of restating the prior year amounts for this change in accounting policy is that the balance on the technical account for general business decreased by £56.7 million to (£2.0) million. There is no financial effect on the Profit for the Financial Year in restating the prior year balances.

(b) Basis of Accounting

Underwriting Policies

(i) Premiums

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified, less an allowance for cancellations. Premiums are accreted to the Technical Account on a pro rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. Reinstatement premiums are accreted to the Technical Account on a pro rata basis over the term of the original policy to which it relates.

Premiums are shown net of premium taxes and other levies on premiums.

(ii) Deferred Acquisition Costs

Commission and other acquisition costs incurred during the financial period that are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs are capitalised and amortised over the life of the policy to which they relate on a basis consistent with the earnings pattern of that policy.

(iii) Claims Incurred

Claims incurred comprise claims and claims handling costs paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any adjustments to claims from prior years. Claims handling costs are mainly those external costs related to the negotiation and settlement of claims.

(iv) Outstanding Claims Provisions

Claims outstanding represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not reported, less any amounts paid in respect of those claims. RiverStone Insurance does not discount its liabilities for unpaid claims the ultimate cost of which cannot be known with certainty at the balance sheet date.
The ultimate cost of outstanding claims is based on statistical techniques of estimation applied by the Company's actuaries. The primary sensitivity in these methods is the assumption that past experience is indicative of the final outcome of current business and, where past experience is insufficient that the market benchmarks are representative of the Company's own underwriting.

Claims based estimation techniques have been used to establish claims provisions for catastrophe reinsurance, financial risks and mortgage indemnity classes of business. The relevant management teams review each contract quarterly and set the provision on a contract by contract basis. Provisions are established for all known losses and major events to the extent that management estimates that individual contracts are likely to incur a loss. Claims provisions for all other classes of business have been established on an individual class of business basis. Claims are projected to the ultimate position and provision is made for known claims and claims incurred but not reported.

Whilst the Directors consider that the estimate of claims outstanding is fairly calculated on the basis of the information currently available to them, there is inherent uncertainty in relation to the ultimate liability which will vary as a result of subsequent information and events. Adjustments to the amounts of the claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

(v) Provision for Unearned Premiums

The proportion of written premiums that relate to unexpired terms of policies in force at the balance sheet date is deferred as a provision for unearned premiums, generally calculated on a time apportioned basis. The movement in the provision is taken to the Technical Account in order that revenue is recognised over the period of the risk.

(vi) Unexpired Risks Provision

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred up to the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

(vii) Reinsurance

Premiums and claims on reinsurance assumed are recognised in the Technical Account along the same basis as direct business, taking into account the product classification. Reinsurance premiums ceded and reinsurance recoveries on claims incurred are included in the respective income and expense accounts. Reinstatement premiums on both inwards and outwards business are accreted to the Technical Account on a pro rata basis over the term of the original policy to which it relates.

Reinsurance assets include amounts recoverable from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts recoverable from reinsurers are calculated with reference to the claims liability associated with the reinsured risks. Revenues and expenses arising from reinsurance agreements are therefore recognised in accordance with the underlying risk of the business reinsured.
Gains or losses on buying reinsurance are recognised immediately in Technical Account and are not subject to amortisation.

If a reinsurance asset is impaired, RiverStone Insurance reduces its carrying amount accordingly, and will immediately recognise the impairment loss in the Technical Account. A reinsurance asset will be deemed to be impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the asset, that RiverStone Insurance may not receive all amounts due to it under the terms of the contract, and that the event has a reliably measurable impact on the amounts that RiverStone Insurance will receive from the reinsurer.

(viii) Equalisation Provision

Amounts are set aside in accordance with the requirements of section 1.5 of the Prudential Sourcebook for Insurers for the purpose of mitigating exceptionally high loss ratios in future years. The amounts reserved are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, it is required to be included within technical provisions by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 pursuant to section 396 of the Companies Act 2006. The movement in the equalisation provision for the year is taken to the Technical Account – general business.

(ix) Product Classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Other Accounting Policies

(i) Investments

RiverStone Insurance has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss (FVTPL).

The fair values of quoted financial investments are based on current bid prices. If the market for an investment is not active, RiverStone Insurance establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow models or option pricing models.

Unquoted equity investments are initially carried at fair value where this can be reliably determined. Where fair value cannot be reliably determined, cost is used as the best estimate of fair value. This is subsequently adjusted whenever events or changes in circumstances indicate that cost may not approximate to fair value. The fair value of an unquoted equity is calculated using the most appropriate valuation technique, such as reference to current fair values of another instrument that is substantially the same, discounted cash flow analysis or option pricing models.

Gains and losses on investments designated as FVTPL are recognised through the income statement. Investments are held on the Balance Sheet at fair value.

(ii) Investment Return

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

Dividends are recorded on the date on which the shares are quoted ex-dividend. Interest and expenses are accounted for on an accruals basis.

Realised gains and losses arise from the difference between proceeds and cost. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and are reported as realised gains and losses in the current year's profit and loss account.

(iii) Recognition and De-recognition of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised when RiverStone Insurance becomes a party to the contractual provisions of the contract.

A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for de-recognition under a combination of risks and rewards and control tests.

A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

All 'regular way purchases and sales' of financial assets are recognised on the trade date, i.e. the date that RiverStone Insurance commits to purchase or sell the asset. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(iv) Impairment

If the carrying value of an asset is impaired, it is reduced to the recoverable amount by an immediate charge to the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(v) Derivatives

Derivative financial instruments comprise credit swap agreements, forward contract agreements and catastrophe swap contracts. Derivatives are initially and subsequently measured at their fair value with movements in the fair value being immediately recognised in the income statement. Fair values are obtained from quoted market prices, discounted cash flow models, risk models and option pricing models as appropriate.

(vi) Operating Expenses

Operating expenses are charged in the year in which they were incurred. No provision has been made for future runoff costs on the basis that total and future investment income is expected to exceed total future operating expenses.

(vii) Taxation

Items of income/gain and expenditure/loss are recognised and assessable to corporation taxation in the same period, after adjustment in accordance with tax legislation.

(viii) Deferred Taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

(ix) Pension Scheme Contributions

RiverStone Insurance's employees are members of a defined contribution plan operated by RiverStone Management Limited. Prior to the change in ownership of RiverStone Insurance on 12th October 2012 the Company's employees were members of a defined contribution pension plan operated by Brit Group Services Limited. The costs of providing pensions for employees are charged to the profit and loss account as incurred.

(x) Foreign Currencies

The financial statements are presented in Sterling which is RiverStone Insurance's presentation currency. Items included in the financial statements are measured using the functional currency which is the primary economic environment in which RiverStone Insurance operates.

Transactions in foreign currencies other than Sterling, United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars, Canadian dollars and Euros are translated at the average rates of exchange for the period. Monetary assets and liabilities in currencies other than Sterling are translated at the rate of exchange ruling at 31 December of each year.

(xi) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

(xii) Cash flow Statement

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

2. Management of Financial Risk

Financial Risk Management Objectives

RiverStone Insurance is exposed to a range of financial risks through its financial asset, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

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

(a) 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 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, 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's investments held at 31st December 2012 is an approximate £29.3 million loss (2011: £16.1 million) to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate £27.3 million gain (2011: £15.9 million) to the profit and loss account.

ii) Equity Price Risk

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

Investments held are listed and traded on recognised stock exchanges, primarily in Europe, North America and Asia.

RiverStone Insurance 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 price risk arising from its investments in equity securities.

Listed equity securities held at 31st December 2012 represent 82.74% of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all RiverStone Insurance's equity investments moving according to the historical correlation with the index, the profit for the year would increase by £4.5 million (2011: £3.9 million).

iii) Currency Risk

RiverStone Insurance manages its foreign exchange risk against its functional currency, which is the Pound Sterling. RiverStone Insurance has a proportion of its assets and liabilities denominated in currencies other that the Pound Sterling, the mist significant being the Euro and US Dollar. RiverStone Insurance seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

At 31st December 2012, if the Pound had weakened by 10% against the US Dollar with all other variables held constant, profit for the year would have been £24.7 million lower (2011: £20.7 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.

(b) 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 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; and
- counterparty risk with respect to derivative transactions.

As RiverStone Insurance is in runoff its exposures to reinsurers and insurance intermediaries are determined by contracts previously written. RiverStone Insurance manages the levels of credit risk from reinsurers and insurance intermediaries by quarterly review of receivable balances by counterparty. Management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. It is RiverStone Insurance'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 the form of either deposits or letters of credit from reinsurers.

RiverStone Insurance 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. RiverStone Insurance maintains strict control limits on open derivative positions. The amount subject to credit risk at any one time is limited to the current fair value of derivative financial assets.

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

	2012 £'000	2011 £'000
Specialised Investment Funds	-	127,300
Debt securities	514,109	1,057,630
Treasury bills	11,073	-
Assets arising from reinsurance and insurance contracts held	672,867	409,499
Cash at bank and in hand	127,381	82,295
Affiliated reinsurance asset	-	164,300
Affiliated loan receivable	11,855	-
Total assets bearing credit risk	**£ 1,337,285**	**£ 1,841,024**

	2012 £'000	2011 £'000
A++	332,760	1,543,665
A+	169,300	53,510
A, A-	281,855	180,023
B++ and below or not rated (including affiliated assets)	553,370	63,826
Total assets bearing credit risk	**£ 1,337,285**	**£ 1,841,024**

Assets arising from reinsurance and insurance contracts held are further analysed as follows:

	2012 £'000	2011 £'000
Performing	662,165	572,963
Past due	10,702	836
Impaired	4,967	5,195
Provision for irrecoverable amounts	(4,967)	(5,195)
	£ 672,867	**£ 573,799**

(c) Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of RiverStone Insurance is the obligation to pay claims to policy holders as they fall due. RiverStone Insurance monitors its liquidity needs through monthly cash flow forecasts and the projected settlement of insurance liabilities is modelled, on a regular basis, using actuarial techniques. RiverStone Insurance's financial liabilities are all payable within one year.

(d) Capital Management

RiverStone Insurance maintains an efficient capital structure based entirely of equity shareholders' funds, consistent with its risk profile and the regulatory and market requirements of its business. RiverStone Insurance's objectives in managing its capital are:

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

RiverStone Insurance considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance and securitisation, as appropriate, when assessing its deployment and usage of capital. RiverStone Insurance manages as capital all items that are eligible to be treated as capital for regulatory purposes. RiverStone Insurance is regulated by the Financial Services Authority 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 manages capital in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. RiverStone Insurance manages its own regulatory capital by reference to both minimum capital requirements based on EU Directive and also self-assessed risk-based capital determined under the FSA's individual capital adequacy regime. RiverStone Insurance has complied with all externally imposed capital requirements throughout the year. RiverStone Insurance is progressing with the implementation of the new Solvency II regulatory regime.

3. Segmental Information

(i) Analysis of business by strategic business unit

In prior years an analysis of results by strategic business unit has been produced. As a result of the Company going into runoff the business is now all managed together and therefore the segmental information provided in prior years is no longer considered relevant by the directors.

(ii) Gross Premium Written by Geographical Segment

	2012 £'000	2011 £'000
United Kingdom	219,750	399,472
Europe (excluding UK)	4,510	33,067
United States	(672)	4,391
Other (including Worldwide)	7,174	113,528
	£ 230,762	£ 550,458

(ii) Underwriting Result before Investment Return and Change in Equalisation Provision by Class

	Gross Premiums Written 2012 £'000	Gross Premiums Earned 2012 £'000	Gross Claims Incurred 2012 £'000	Gross Operating Expenses 2012 £'000	Reinsurance Balance 2012 £'000	Total 2012 £'000	Net Technical Provisions 2012 £'000	Commissions on Gross Premiums Earned 2012 £'000
Direct Insurance								
Accident and health	4,392	5,271	3,647	(1,444)	4,624	12,098	2,243	1,428
Motor	31,662	55,607	(43,151)	(13,088)	10,787	10,155	65,712	4,996
Marine, aviation & transport	363	8,155	2,852	(3,546)	2,877	10,338	40,234	3,255
Legal expenses	65,386	80,641	(37,857)	(36,419)	(7,420)	(1,055)	31,287	35,134
Credit and suretyship	(172)	3,415	(2,704)	(326)	(547)	(162)	2,397	326
Fire and other damage to property	82,293	140,870	(78,451)	(48,522)	(8,437)	5,460	143,328	34,347
Third party liability	41,075	69,641	(33,209)	(15,191)	(66,823)	(45,582)	232,442	14,405
	224,999	**363,600**	**(188,873)**	**(118,536)**	**(64,939)**	**(8,748)**	**517,643**	**93,891**
Reinsurance	5,763	38,014	5,870	(5,877)	(44,245)	(6,238)	109,021	5,774
Corporate	-	-	-	(7,649)	-	(7,649)	-	-
	230,762	**401,614**	**(183,003)**	**(132,062)**	**(109,184)**	**(22,635)**	**626,664**	**99,665**

	2011 £'000	2011 £'000	2011 £'000	2011 £'000	2011 £'000	2011 £'000	2011 £'000	2011 £'000
Direct Insurance								
Accident and health	(2,836)	(591)	662	(152)	(1,421)	**(1,502)**	5,005	(167)
Motor	70,700	76,371	(68,676)	(20,611)	1,699	**(11,217)**	87,555	7,458
Marine, aviation and transport	19,848	25,145	(19,933)	(7,374)	3,248	**1,086**	30,732	6,340
Legal expenses	69,914	71,639	(33,134)	(35,991)	(7,674)	**(5,160)**	33,294	31,478
Credit & suretyship	(3)	11,251	4,599	(1,604)	(75)	**14,171**	43,140	1,150
Fire and other damage to property	172,634	185,432	(103,838)	(66,378)	(24,295)	**(9,079)**	188,456	46,875
Third party liability	88,666	91,172	(40,683)	(28,791)	(7,301)	**14,397**	361,903	15,752
	418,923	**460,419**	**(261,003)**	**(160,901)**	**(35,819)**	**2,696**	**750,085**	**108,886**
Reinsurance	131,535	139,971	(147,819)	(28,418)	40,382	**4,116**	357,264	19,058
Corporate	-	-	-	(6,938)	-	**(6,938)**	-	-
	550,458	**600,390**	**(408,822)**	**(196,257)**	**4,563**	**(126)**	**1,107,349**	**127,944**

All premiums were concluded in the UK.

4. Claims Outstanding

A release of £11.1 million (2011 £45.7 million) from the net reserve for claims outstanding was made in calendar year 2012.

5. Net Operating Expenses

	2012 £'000	2011 £'000
Acquisition costs	65,726	122,668
Change in deferred acquisition costs	41,076	8,778
Administrative expenses	29,846	64,811
	136,648	196,257
Reinsurance commissions receivable	(4,586)	(8,206)
	£ 132,062	£ 188,051

The management and administration of RiverStone Insurance is carried out by RiverStone Management Limited, a fellow subsidiary, which also provides these services to other group companies. Prior to the acquisition of RiverStone Insurance by RiverStone Holdings Limited the management and administration was carried out by Brit Group Services Limited. Brit Group Services Limited and RiverStone Management Limited made charges to RiverStone Insurance for the services provided during the year.

6. Auditors' Remuneration

	2012 £'000	2011 £'000
Audit services		
Audit	140	103
Audit related assurance services	40	40
Taxation compliance services	6	6
Services relating to corporate finance	110	-
	£ 296	£ 149

7. Staff Costs

In June 2012, 39 employees were transferred into RiverStone Insurance from Brit Group Services Limited. The profit and loss account includes the following in respect of those employees:

	2012 £'000	2011 £'000
Wages and salaries	1,794	-
Social Security costs	109	-
Pension costs	135	-
	£ 2,038	£ -

The average monthly number of employees, by main activity, for the period from June to December 2012 was made up as follows:

	2012 No.	2011 No.
Claims	28	-
Financial and actuarial	4	-
	32	-

8. Directors' Remuneration

The Directors receive no emoluments from RiverStone Insurance. The contracts of employment of the U.K. executive Directors and employees are with the managing agents which make charges to RiverStone Insurance. Prior to the change in ownership of RiverStone Insurance the executive Directors did not receive any remuneration for their services to the Company (2011: nil). After the change in ownership the new Executive directors received remuneration from RiverStone Management Limited in respect of their services to the Company. Emoluments paid by the managing agents to the Directors of RiverStone Insurance in respect of their services to the Company are summarised below. These amounts represent emoluments based on an apportionment of the Directors' time.

	2012 £'000	2011 £'000
Aggregate Emoluments under Brit Ownership	52	171
Aggregate Emoluments under RiverStone Ownership	132	-
	£ 184	£ 171

Retirement benefits are accruing to two directors (2011: Nil) under a defined benefit pension plan.

9. Investment Income

		2012 £'000		2011 £'000
Dividend income		1,925		4,966
Other investment income		23,634		34,323
	£	25,559	£	39,289

10. Interest Receivable and Similar Income

		2012 £'000		2011 £'000
Intragroup interest receivable	£	427	£	425

Intragroup interest relates to interest received whilst RiverStone Insurance was owned by the Brit Group. Intragroup interest was calculated using an average amount outstanding during each quarter between Brit Group companies. The interest rate applied was formulated by using a third party assessment of the Brit Group's credit worthiness as a borrower and then a margin was added to LIBOR to calculate the interest rate applicable.

11. Interest Payable and Similar Charges

		2012 £'000		2011 £'000
Other interest payable	£	1	£	29

12. Other Income

		2012 £'000		2011 £'000
Sale of UK renewal rights to QBE				
Sale proceeds		38,538		-
Deal costs		(1,608)		-
Other Direct costs		(927)		-
Recharged costs		(6,105)		-
Profit on sale of UK renewal rights	£	29,898	£	-

13. Foreign Exchange (Losses) Gains

		2012 £'000		2011 £'000
Foreign exchange (losses) gains	£	(19,044)	£	3,787

Foreign exchanges losses of £19 million (2011: £3.8 million gain) include losses of £800,000 (2011: £200,000 gain) in relation to the effects of foreign exchange on non-monetary items.

14. Taxation on Profit on Ordinary Activities

	2012 £'000	2011 £'000
Current taxation		
UK corporation taxation at 24.5% (2011: 26.5%) based on the profit for year	£ 4,204	£ 3,580

Factors affecting taxation charge for the year

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	£ 21,610	£ 30,287
Profit on ordinary activities multiplied by the UK corporation tax rate of 24.5% (2011: 26.5%)	5,294	8,026
Non-deductible expenses for taxation purposes	(48)	(88)
Equity dividends not subject to corporation taxation	(472)	(733)
Group relief not paid for at full rate	(603)	(3,675)
Prior year adjustment	33	50
Current taxation charge for the year	£ 4,204	£ 3,580

15. Financial Investments

(a) Financial Investments by Category

	Market Value 2012 £'000	Market Value 2011 £'000	Historic Cost 2012 £'000	Historic Cost 2011 £'000
Shares and other variable – yield securities and units in unit trusts	109,661	206,159	107,971	230,692
Debt securities and other fixed interest securities	514,109	1,057,630	511,378	1,052,964
	623,770	1,263,789	619,349	1,283,656
Other Financial assets at fair value through profit and loss	11,073	-	11,020	-
Total	£ 634,843	£ 1,263,789	£ 630,369	£ 1,283,656

(b) Listed Investments

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

	2012 £'000	2011 £'000
At fair value through profit and loss		
Shares and other variable yield securities and units in unit trusts	90,738	129,128
Debt securities and other fixed interest securities	514,109	1,057,363
	604,847	**1,186,491**
Other Financial assets	11,073	-
Total listed investments	£ 615,920	£ 1,186,491

(c) Disclosures of fair values in accordance with the fair value hierarchy

RiverStone Insurance has classified fair value measurements using a fair valued hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy includes the following levels:

a) quoted prices (unadjusted) in active markets for identical assets (Level 1);
b) inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e.as prices) or indirectly (i.e. derived from prices) (Level 2); and
c) inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

Level 3 financial investments are valued using techniques appropriate to the specific investment. The techniques used, amongst others, include fair value by reference to NAVs issued by fund managers based on their knowledge of underlying investments and actuarial models using assumptions of realistic disaster scenarios and credit spreads of counterparties.

	Level 1 2012 £'000	Level 2 2012 £'000	Level 3 2012 £'000	Total 2012 £'000
Equities	75,348	18,922	15,391	109,661
Debt Securities	-	525,182	-	525,182
	£ 75,348	£ 544,104	£ 15,391	£ 634,843

	Level 1 2011 £'000	Level 2 2011 £'000	Level 3 2011 £'000	Total 2011 £'000
Equities	76,430	2,429	-	78,859
Debt Securities	324,334	733,029	267	1,057,630
Specialised Investment Fund	28,924	21,345	77,031	127,300
	£ 429,688	£ 759,803	£ 77,298	£ 1,263,789

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

	Debt Securities 2012 £'000	Specialised Investment Funds 2012 £'000	Equities 2012 £'000	Total 2012 £'000
At 1 January	267	77,031	-	77,298
Total gains recognised in the profit and loss account	-	19,077	11	19,088
Purchases	-	1,215	15,512	16,727
Sales	(267)	(95,195)	-	(95,462)
Foreign exchange gains	-	(2,128)	(132)	(2,260)
At 31 December	£ -	£ -	£ 15,391	£ 15,391
	2011 £'000	**2011 £'000**	**2011 £'000**	**2011 £'000**
At 1 January	-	44,967	-	44,967
Total gains recognised in the profit and loss account	(13)	(1,625)	-	(1,638)
Purchases	450	44,476	-	44,926
Sales	(150)	(9,977)	-	(10,127)
Foreign exchange gains	(20)	(810)	-	(830)
At 31 December	£ 267	£ 77,031	£ -	£ 77,298

All unrealised gains of £11,000 (2011: £800,000) and realised gains of £19.1 million (2011: Loss of £2.4 million) on Level 3 financial investments held during the year are presented in the net investment return in the profit and loss account.

There were no transfers between Level 3 and Levels 1 or 2 during the year (2011: none).

Transfers between Level 1 and Level 2

There were no transfers between Levels 1 and 2 during the year (2011: none).

Sensitivity of Level 3 financial investments measured at fair value to changes in key assumptions

The directors do not believe that reasonable possible alternative assumptions in relation to Level 3 investments would change their fair value significantly.

(d) Collateralised Cash and Investments

RiverStone Insurance maintains a letter of credit facility in respect of its US regulated business. RiverStone Insurance is obliged to collateralise any LOCs issued under these facilities. The total amount of collateral provided at 31st December 2012 was £32.7 million (2011: £33.3 million).

16. Derivative Contracts

	2012 £'000	2011 £'000
Foreign derivative contract liabilities:		
Foreign currency contracts	£ 2,233	£ 201

RiverStone Insurance purchases forward foreign currency contracts to hedge currency exposure on future commitments. A Japanese Yen forward contract was outstanding as at 31st December 2012 to hedge the impact of Japanese Yen exposure resulting from the Japanese earthquake and tsunami. 2012 £1,352,000 (2011 : £201,000)

In 2012, RiverStone also purchased a total return swap on the Citibank ishares Russell 2000 index. 2012 £881,000 (2011 : Nil)

All of these investments would be classified as Level 2 investments.

17. Debtors Arising Out of Direct Insurance Operations

	2012 £'000	2011 £'000
Amounts due from intermediaries within one year	£ 68,671	£ 121,798

18. Other Debtors

	2012 £'000	2011 £'000
Taxation	443	309
Amounts due from group undertakings	11,855	-
Other debtors	678	366
	£ 12,976	£ 675

19. Called up Share Capital

	2012 £'000	2011 £'000
Allotted, called up and fully paid:		
100,000,000 (2011: 278,000,000) Ordinary Shares of £1 each	£ 100,000	£ 278,000

On 28th March 2012 RiverStone Insurance cancelled 178,000,000 ordinary shares.

20. Reconciliation of Movements on Total Shareholder's Funds

	Share Capital £'000	Profit and Loss Account £'000	2012 Total £'000	2011 Total £'000
As at 1st January	278,000	77,585	355,585	408,878
Profit for the financial year	-	17,406	17,406	26,707
Share capital cancelled	(178,000)	178,000	-	-
Equity dividends paid	-	(183,073)	(183,073)	(80,000)
As at 31st December	£ 100,000	£ 89,918	£ 189,918	£ 355,585

21. Equalisation Provision

	2012 £'000	2011 £'000
At 1 January	41,155	39,258
Transfer (to) from profit and loss account	(556)	1,897
At 31 December	£ 40,599	£ 41,155

22. Other Creditors

	2012 £'000	2011 £'000
Amounts owed to other group undertakings	£ 4,031	£ 12,920

23. Accruals and Deferred Income

	2012 £'000	2011 £'000
Reinsurance commissions	313	3,173
Accruals - Other	309	858
	£ 622	**£ 4,031**

24. Related Party Transactions and Ultimate Parent Company

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

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

The financial statements of Fairfax 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