

COMPANY NO. 2709527

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

RiverStone Holdings Limited

2013 Annual Report

RiverStone Holdings Limited (Company No. 2709527)
Annual Report
For the year ended 31st December 2013

Contents	Page
Directors and Administration	3
Strategic Report	4
Directors' Report	6
Independent Auditors' Report to the Members of RiverStone Holdings Limited	8
Profit and Loss Account	10
Statement of Total Recognised Gains and Losses	11
Balance Sheet	12
Notes to the Financial Statements	13

RiverStone Holdings Limited (Company No. 2709527)
Directors and Administration
For the year ended 31st December 2013

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 31st December 2013

The Directors have pleasure in presenting the Strategic Report of RiverStone Holdings Limited (“RiverStone Holdings” or “the Company”) for the year ended 31st December 2013.

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 £66.3 million (2012: £111.2 million).

Shareholders’ funds have increased to £423.3 million from £369.8 million at the end of 2012. The increase in shareholders’ funds comprises the profit for the financial year of £66.3 million, offset by actuarial losses recognised on the pension scheme of £2.3 million and unrealised foreign exchange losses.

On 8th November 2013, High Court approval was granted for a transfer of liabilities from the Eagle Star Insurance group of companies into RiverStone Insurance (UK) under Part VII of the Financial Services and Markets Act 2000. This transfer became effective on 31st December 2013. All of the liabilities related to this transaction were transferred to RiverStone Insurance (UK) by way of a reinsurance agreement that was entered into on 21st December 2012.

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.

RiverStone Holdings Limited (Company No. 2709527)

Strategic Report

For the year ended 31st December 2013

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.

As part of efforts to consolidate the structure of the RiverStone Holdings' group, RiverStone Holdings' subsidiary, Sphere Drake Insurance Limited, was dissolved in January 2013 and RiverStone Holdings' French subsidiary, RiverStone France SA, was dissolved in August 2013.

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. The Directors consider that RiverStone Holdings' capital is adequate to meet its business needs.

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
6th March 2014

RiverStone Holdings Limited (Company No. 2709527)

Directors' Report

For the year ended 31st December 2013

The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Holdings Limited ("RiverStone Holdings" or "the Company") for the year ended 31st December 2013.

Directors

Directors holding office during the period from 1st January 2013 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.

Future Developments

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

Dividends

The Directors do not recommend the payment of a dividend (2012: 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 31st December 2013

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 auditor is 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 31st December 2013 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
6th March 2014

RiverStone Holdings Limited (Company No. 2709527)
Independent Auditors' Report to the Members of RiverStone Holdings Limited
For the year ended 31st December 2013

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 31st December 2013 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 31st December 2013
- 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 31st December 2013

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic 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.

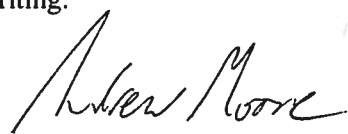
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on 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 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.



Andrew Moore (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6th March 2014

RiverStone Holdings Limited (Company No. 2709527)
Independent Auditors' Report to the Members of RiverStone Holdings Limited
For the year ended 31st December 2013

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic 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 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 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.

Andrew Moore (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6th March 2014

RiverStone Holdings Limited (Company No. 2709527)
Profit and Loss Account
For the year ended 31st December 2013

	Note	2013 £'000	2012 £'000
Change in value of subsidiaries		66,651	(103,771)
Other operating charges	2	121	496
Income from shares in group undertakings		-	214,382
Investment management expenses		<u>12</u>	<u>(15)</u>
Operating result on ordinary activities		66,784	111,092
Foreign exchange loss		<u>(759)</u>	<u>(435)</u>
Profit on ordinary activities before taxation		66,025	110,657
Taxation on profit on ordinary activities	6	<u>265</u>	<u>544</u>
Profit for the financial year		£ <u>66,290</u>	£ <u>111,201</u>

The results above are all derived from continuing operations.

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 Holdings Limited (Company No. 2709527)
Statement of Total Recognised Gains and Losses
For the year ended 31st December 2013

	Note	2013 £'000	2012 £'000
Profit for the financial year		66,290	111,201
Actuarial loss recognised in the year on pension scheme	5	(2,325)	(7,294)
Foreign exchange losses	12	<u>(10,431)</u>	<u>(12,255)</u>
Total gains recognised during the year		£ <u>53,534</u>	£ <u>91,652</u>


RiverStone Holdings Limited (Company No. 2709527)


Balance Sheet

As at 31st December 2013

	Note	2013 £'000	2012 £'000
Assets			
Fixed Assets			
Investments in subsidiary undertakings	7	458,484	405,614
Other financial investments	8	-	2,336
		<u>458,484</u>	<u>407,950</u>
Current Assets			
Debtors: amounts falling due within one year	9	359	903
Cash at bank and in hand		<u>129</u>	<u>291</u>
Total assets		£ <u>458,972</u>	£ <u>409,144</u>
Liabilities			
Capital and reserves			
Called up share capital	11	293,322	297,991
Share premium	12	61,851	62,993
Profit and loss account	12	68,171	8,826
Total shareholders' funds	12	423,344	369,810
Creditors			
Amounts falling due within one year	13	35,041	38,225
Accruals and deferred income		<u>-</u>	<u>-</u>
Total liabilities excluding pension liability		458,385	408,035
Pension liability	5	<u>587</u>	<u>1,109</u>
Total liabilities including pension liability		£ <u>458,972</u>	£ <u>409,144</u>

The financial statements on pages 10 to 20 were approved by the Board of Directors on 6th March 2014 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 31st December 2013

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 are set out below.

The financial statements contain information about RiverStone Holdings Limited ("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 1.6563.

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 31st December 2013

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 taxation 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 5.

(e) **Deferred Taxation**

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. Other Operating Charges

	2013	2012
	£'000	£'000
Brit Insurance Limited acquisition costs	-	1,401
Release of prior year provision	-	(1,897)
Other	<u>(121)</u>	<u>-</u>
	£ (121)	£ (496)

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2013

3. Auditors' Remuneration

	2013 £'000	2012 £'000
Audit	£ <u>1</u>	£ <u>1</u>

4. Directors and Employees

No amounts were charged to RiverStone Holdings in the period in respect of directors' services (2012: Nil).

RiverStone Holdings has no employees.

5. 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 1st 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 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.

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

	31 st December 2013 £'000	31 st December 2012 £'000
Present value of defined benefit obligation	(75,075)	(67,511)
Fair value of plan assets	<u>74,488</u>	<u>66,402</u>
Deficit included in balance sheet	(587)	(1,109)
Related unrecognised deferred tax asset	<u>117</u>	<u>255</u>
Pro forma liability net of deferred tax	£ <u>(470)</u>	£ <u>(854)</u>

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2013

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

	2013	2012
	£'000	£'000
Employer's part of current service cost	1,098	999
Gain on settlements and curtailments	-	-
Interest cost	3,025	2,955
Expected return on plan assets	<u>(2,859)</u>	<u>(3,418)</u>
Total expense included in profit and loss	£ <u>1,264</u>	£ <u>536</u>

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

	31st December 2013	31st December 2012
Equity instruments	50%	50%
Debt instruments	<u>50%</u>	<u>50%</u>
	<u>100%</u>	<u>100%</u>

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

	2013	2012
	£'000	£'000
Opening defined benefit obligation	67,511	61,880
Employer's part of current service cost	1,098	999
Interest cost	3,025	2,955
Contributions from plan members	-	-
Actuarial loss	5,102	3,321
Benefits paid	(1,661)	(1,644)
Curtailement result	<u>-</u>	<u>-</u>
Closing defined benefit obligation	£ <u>75,075</u>	£ <u>67,511</u>

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

	2013	2012
	£'000	£'000
Opening fair value of plan assets	66,402	64,543
Expected return on plan assets	2,859	3,418
Actuarial gain (loss)	2,776	(3,973)
Contributions by the employer	4,112	4,058
Contributions by plan members	-	-
Benefits paid	<u>(1,661)</u>	<u>(1,644)</u>
Closing fair value of plan assets	£ <u>74,488</u>	£ <u>66,402</u>

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2013

The actual return on the Plan's assets over the year was a gain of £5,635,000 million (2012: £555,000 loss).

The amount recognised in RiverStone Holdings' Statement of Total Recognised Gains and Losses for 2013 is a loss of £2,325,000 (2012: loss of £7,294,000). The cumulative amount recognised through RiverStone Holdings' Statement of Total Recognised Gains and Losses at 31st December 2013 is a loss of £10,601,000.

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

	31 st December 2013 £'000	31 st December 2012 £'000	31 st December 2011 £'000	31 st December 2010 £'000	31 st December 2009 £'000
Present value of defined benefit obligation	(75,075)	(67,511)	(61,880)	(58,137)	(56,015)
Fair value of plan assets	74,488	66,402	64,543	56,496	44,668
(Deficit) Surplus	£ (587)	£ (1,109)	£ 2,663	£ (1,641)	£ (11,347)

History of Experience Gains and Losses:

	31 st December 2013 £'000	31 st December 2012 £'000	31 st December 2011 £'000	31 st December 2010 £'000	31 st December 2009 £'000
Experience adjustments on plan assets					
Amount of gain (loss)	2,776	(3,973)	2,773	6,173	1,228
Percentage of plan assets	4%	(6%)	4%	11%	3%
Experience adjustments on plan liabilities					
Amount of (loss) gain	38	(244)	(287)	343	(590)
Percentage of the present value of the plan liabilities	-	(1%)	(1%)	1%	(1%)

6. Taxation on Profit on Ordinary Activities

	2013 £'000	2012 £'000
Current taxation		
UK corporation tax at 23.25% (2012: 24.5%) based on the profit for the year	(815)	(1,291)
Group relief surrendered for nil consideration	815	286
Current year losses carried forward	-	461
Group relief surrender related to prior year	(265)	-
	£ (265)	£ (544)

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2013

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 23.25% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	£ <u>66,025</u>	£ <u>110,657</u>
Profit on ordinary activities before taxation multiplied by the UK corporation tax rate of 23.25% (2012: 24.5%)	15,351	27,111
Non-taxable change in value of subsidiaries	(15,497)	25,424
Non-taxable dividend income	-	(52,525)
Non-taxable other income	(669)	(1,301)
Group relief surrendered for nil consideration	815	286
Tax losses not recognised	-	461
Group relief surrender related to prior years	<u>(265)</u>	<u>-</u>
Current tax credit for the year	£ <u>(265)</u>	£ <u>(544)</u>

7. 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, RiverStone Holdings' investments in subsidiary undertakings are worth not less than the amounts at which they are stated in RiverStone Holdings' company balance sheet.

	Shareholders' Equity at 31 Dec 2012 £'000	Dissolution £'000	Profit And Loss £'000	Foreign Exchange £'000	Other £'000	Shareholders' Equity at 31 Dec 2013 £'000
Sphere Drake Acquisitions (UK) Ltd Dormant	50	-	-	-	-	50
RiverStone Management Ltd Run-off Agency	561	-	124	-	-	685
Sphere Drake Leasing Ltd Leasing Company	38	-	133	-	-	171
RiverStone Corporate Capital Ltd Corporate member at Lloyd's	3,548	-	-	(69)	-	3,479
RiverStone Corporate Capital 2 Ltd Corporate member at Lloyd's	358	-	-	-	-	358
RiverStone Insurance (UK) Ltd General Insurance	209,806	-	31,789	(5,667)	724	236,652
RiverStone France SA Run-off Administration	1,350	(1,350)	-	-	-	-
RiverStone Managing Agency Ltd Lloyd's Agency	11	-	-	-	-	11
RiverStone Insurance Limited General Insurance	189,892	-	27,155	31	-	217,078
	<u>405,614</u>	<u>(1,350)</u>	<u>59,201</u>	<u>(5,705)</u>	<u>724</u>	<u>458,484</u>

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2013

All subsidiaries are registered in England and Wales with the exception of RiverStone France S.A. which was registered in France prior to its dissolution.

8. Other Financial Investments

	2013 £'000	2012 £'000
Treasury bills	£ <u>-</u>	£ <u>2,336</u>

9. Debtors: Amounts Falling Due within One Year

	2013 £'000	2012 £'000
Amounts owed by group undertaking	£ <u>359</u>	£ <u>903</u>

10. Deferred Taxation

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:

	2013 £'000	2012 £'000
Trading losses available to carry forward	£ <u>1,083</u>	£ <u>1,691</u>

11. Called up Share Capital

	2013	2012
46,606,341 Ordinary Shares of £1	£ <u>46,606,341</u>	£ <u>46,606,341</u>
348,404,620 Ordinary Shares of \$1	\$ <u>348,404,620</u>	\$ <u>348,404,620</u>
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.

	2013 £'000	2012 £'000
<u>Total allotted and fully paid</u>		
46,606,341 Ordinary Shares of £1	46,606	46,606
348,404,620 Ordinary Shares of \$1	210,356	214,338
68,432,731 Ordinary Shares of \$0.88	<u>36,360</u>	<u>37,047</u>
	£ <u>293,322</u>	£ <u>297,991</u>

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2013

12. Reconciliation of Movements in Total Shareholders' Funds

	Called Up Share Capital £'000	Share Premium £'000	Profit & Loss Account £'000	2013 Total £'000	2012 Total £'000
As at 1 st January	297,991	62,993	8,826	369,810	214,468
Profit for the financial year	-	-	66,290	66,290	111,201
Actuarial loss recognised in the year on pension scheme	-	-	(2,325)	(2,325)	(7,294)
New share capital subscribed	-	-	-	-	72,088
Share capital bought back/cancelled	-	-	-	-	(8,398)
Exchange movements	(4,669)	(1,142)	(4,620)	(10,431)	(12,255)
As at 31st December	£ 293,322	£ 61,851	£ 68,171	£ 423,344	£ 369,810

13. Creditors: Amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to group undertakings	35,041	36,643
Other creditors	-	1,582
	£ 35,041	£ 38,225

14. 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.

15. Related Party Transactions and Ultimate Parent Company

RiverStone Holdings is ultimately wholly owned by 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 Disclosures". This exemption is available for RiverStone Holdings 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.