

COMPANY NO. 2709527

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

RiverStone Holdings Limited

2015 Annual Report

RiverStone Holdings Limited (Company No. 2709527)
Annual Report
For the year ended 31st December 2015

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RiverStone Holdings Limited (Company No. 2709527)
Directors and Administration
For the year ended 31st December 2015

Directors

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

Company Secretaries

F. Henry
S. L. Davey

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

Website

www.rsml.co.uk

RiverStone Holdings Limited (Company No. 2709527)

Strategic Report

For the year ended 31st December 2015

The Directors have pleasure in presenting the Strategic Report of RiverStone Holdings Limited (“RiverStone Holdings” or “the Company”) for the year ended 31st December 2015.

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.

Business Review

Results and Performance

The results for the year set out in the profit and loss account show a loss for the financial year of £19.3 million (2014 (restated): £39.1 million profit).

Shareholders’ funds have increased to £459 million from £452.8 million at the end of 2014. The increase in shareholders’ funds comprises unrealised foreign exchange gains of £25.5 million, offset by the loss for the financial year of £19.3 million.

The financial statements reflect the restatement of certain prior period balances as a result of the implementation of Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS102”). Under FRS102, the RiverStone group’s defined benefit pension plan is required to be accounted for in the financial statements of the entities to whom the associated costs are recharged, as opposed to the financial statements of the entity with the legal responsibility (RiverStone Holdings). The prior year adjustments reflect the impact of the transfer of all entries associated with the defined benefit pension plan into RiverStone Insurance (UK) and RiverStone Insurance. There is no impact on the overall shareholders’ equity of RiverStone Holdings as a result of these adjustments.

On 9th March 2015, RiverStone Insurance (UK) entered into an agreement to reinsure a portfolio primarily comprising 1992 and prior asbestos and pollution liabilities. This resulted in the addition of \$89 million to the gross technical provisions of RiverStone Insurance (UK). On the same date, RiverStone Insurance (UK) entered into an agreement with an affiliated company to reinsure all of these liabilities.

RiverStone Holdings Limited (Company No. 2709527)
Strategic Report
For the year ended 31st December 2015

RiverStone Holdings has made good progress in relation to key elements of its strategy, through continued reduction in gross loss reserves and reinsurance recoverables of its insurance subsidiaries during the year, and the acquisition of a further run-off portfolio.

Strategy and Future Developments

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

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

As part of efforts to consolidate the structure of the RiverStone Holding's group, RiverStone Holdings' subsidiary, Sphere Drake Acquisitions (UK) Limited was dissolved in October 2015.

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 Risk 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, regulators and other stakeholders. RiverStone Holdings' subsidiaries are prepared for the implementation of the European Solvency II Directive, which came into force on 1st January 2016. The Directors consider that RiverStone Holdings' capital is adequate to meet its business needs both under the current and future Solvency II regulatory capital regimes.

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

By Order of the Board

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



F. Henry
Company Secretary
14th March 2016

RiverStone Holdings Limited (Company No. 2709527)

Directors' Report

For the year ended 31st December 2015

The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Holdings Limited (Company No. 2709527) ("RiverStone Holdings" or "the Company") for the year ended 31st December 2015.

Directors

Directors holding office during the period from 1st January 2015 to the date of this report were as follows:

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

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

Future Developments

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

Dividends

An interim dividend of nil was paid during 2015 (2014: £36.2 million). The Directors do not recommend the payment of a final dividend (2014: 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 2015

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

Statement of Disclosure of Information to Auditors

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

- so far as the Director is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31st December 2015 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
14th March 2016

RiverStone Holdings Limited (Company No. 2709527)
Independent Auditors' Report to the Members of RiverStone Holdings Limited
For the year ended 31st December 2015

Report on the financial statements

Our opinion

In our opinion, RiverStone Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and loss account and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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.

Opinion on other matters prescribed by the Companies Act 2006

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

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.

RiverStone Holdings Limited (Company No. 2709527)
Independent Auditors' Report to the Members of RiverStone Holdings Limited
For the year ended 31st December 2015

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

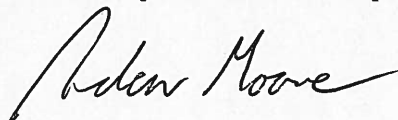
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Andrew Moore (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London 15th March 2016

RiverStone Holdings Limited (Company No. 2709527)
Profit and Loss Account
For the year ended 31st December 2015

	Note	2015 £'000	2014 Restated £'000
Change in value of subsidiaries		(20,812)	(5,782)
Other operating charges		-	84
Income from shares in group undertakings		50	43,198
Realised gains on investments		-	12
Operating (loss) profit		(20,762)	37,512
Foreign exchange gains		1,478	1,605
(Loss) profit on ordinary activities before tax		(19,284)	39,117
Tax on (loss) profit on ordinary activities	7	-	-
(Loss) profit for the financial year		£ (19,284)	£ 39,117

The results above are all derived from continuing operations.

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

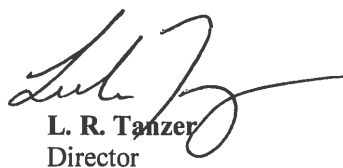
RiverStone Holdings Limited (Company No. 2709527)
Statement of Comprehensive Income
For the year ended 31st December 2015

	Note	2015	2014
		£'000	Restated £'000
(Loss) profit for the financial year		(19,284)	39,117
Foreign exchange gains		<u>25,509</u>	<u>26,503</u>
Total comprehensive income for the year		£ <u>6,225</u>	£ <u>65,620</u>

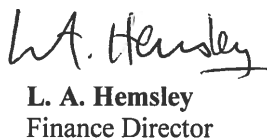
RiverStone Holdings Limited (Company No. 2709527)**Balance Sheet****As at 31st December 2015**

	Note	2015 £'000	2014 Restated £'000
Assets			
Fixed Assets			
Investments in subsidiary undertakings	8	487,196	480,584
Current Assets			
Debtors: amounts falling due within one year	9	7	9
Cash at bank and in hand		159	149
		166	158
Total assets		£ 487,362	£ 480,742
Liabilities			
Capital and reserves			
Called up share capital	11	323,846	308,670
Share premium		69,313	65,603
Profit and loss account		65,858	78,519
Total shareholders' funds		459,017	452,792
Creditors			
Amounts falling due within one year	13	28,345	27,950
Total liabilities including pension liability		£ 487,362	£ 480,742

The financial statements on pages 10 to 23 were approved by the Board of Directors on 14th March 2016 and were signed on its behalf by:



L. R. Tanzer
Director



L. A. Hemsley
Finance Director

RiverStone Holdings Limited (Company No. 2709527)
Statement of Changes in Equity
For the year ended 31st December 2015

	Note	Called Up Share Capital £'000	Share Premium £'000	Profit & Loss Account Restated £'000	2014 Restated Total £'000
As at 1 st January 2014		293,322	61,851	68,171	423,344
Profit for the financial year		-	-	39,117	39,117
Other comprehensive income for the year		15,348	3,752	7,403	26,503
Total comprehensive income for the year		15,348	3,752	46,520	65,620
Dividend	12	-	-	(36,172)	(36,172)
As at 31st December 2014		£ 308,670	£ 65,603	£ 78,519	£ 452,792

		Called Up Share Capital £'000	Share Premium £'000	Profit & Loss Account Restated £'000	2015 Total £'000
As at 1 st January 2015		308,670	65,603	78,519	452,792
Profit (loss) for the financial year		-	-	(19,284)	(19,284)
Other comprehensive income for the year		15,176	3,710	6,623	25,509
Total comprehensive income for the year		15,176	3,710	(12,661)	6,225
As at 31st December 2015		£ 323,846	£ 69,313	£ 65,858	£ 459,017

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2015

1. General Information

RiverStone Holdings Limited (“RiverStone Holdings” or “the Company”) is a U.K. holding company of subsidiary undertakings (together “the Group”) primarily engaged in the runoff of insurance and reinsurance business and the performance of related services.

RiverStone Holdings is a private company limited by shares and is incorporated in England. The address of its registered office is Park Gate, 161-163 Preston Road, Brighton BN1 6AU.

2. Statement of Compliance

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

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS102 are disclosed in Note 15.

(a) Basis of Preparation

These financial statements are prepared on a going concern basis under the historical cost convention as modified by the revaluation of investments in subsidiary undertakings.

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

(b) Going Concern

Having addressed the principal risks, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

(c) Exemptions for Qualifying Entities under FRS102

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

RiverStone Holdings has taken advantage of the following exemptions:-

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the financial statements of Fairfax includes RiverStone Holdings’ cash flows

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2015

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

(d) Translation of Foreign Currencies

The financial statements are presented in pounds sterling and, unless otherwise stated, are rounded to thousands. Items included in RiverStone Holding's 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 Sterling to US Dollar rate at year end was 1.4739.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each period end foreign currency monetary items are translated using the year end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account for the period. All exchange differences arising from the translation from functional currency to presentation currency are recognised through the Statement of Comprehensive Income as a separate component of equity.

(e) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred 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 using tax rates and laws that have been enacted or substantively enacted by the period end. Deferred tax assets are recognised to the extent that they are regarded as more likely than not recoverable. Movements on deferred tax assets and liabilities are recognised in the profit and loss account, except to the extent that they arise in relation to movements in the Statement of Comprehensive Income.

(f) Pensions

RiverStone Holdings is the principal employer for the Group's defined benefit pension scheme. RiverStone Management Limited ("RiverStone Management") is the primary participating employer and all costs associated with the defined benefit scheme are recharged to RiverStone Insurance (UK) Limited ("RiverStone Insurance (UK)") and RiverStone Insurance Limited ("RiverStone Insurance"), through the administration outsource agreements that are in place with these entities. In accordance with FRS102, the defined benefit pension scheme is accounted for in RiverStone Insurance (UK) and

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2015

RiverStone Insurance in proportion to the allocation of overall costs that are recharged from RiverStone Management in respect of the outsourcing arrangement. 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.

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 Comprehensive Income for the period. The attributable deferred tax is shown separately in the Statement of Comprehensive Income. The pension surplus or deficit recognised in the balance sheets of RiverStone Insurance (UK) and RiverStone Insurance is their shares of 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 6.

(g) Dividend Income

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

(h) 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.

(i) Financial Instruments

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

(j) Related Party Transactions

RiverStone Holdings discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

4. Auditors' Remuneration

	2015 £'000	2014 £'000
Audit	£ <u>1</u>	£ <u>1</u>

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2015

5. Directors and Employees

No amounts were charged to RiverStone Holdings in the year in respect of the services of directors or other key management personnel (2014: nil).

RiverStone Holdings has no employees (2014: nil).

6. 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. The Plan's statutory funding objective is to hold sufficient and appropriate assets to cover its technical provisions. 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 FRS102, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

RiverStone Management is the primary participating employer of the Plan. RiverStone Management pays contributions into the Plan and these are recharged to RiverStone Insurance and RiverStone Insurance (UK) in accordance with the administration outsource agreements that are in place. The amount of contribution to be paid by each entity is determined by reference to the allocation of overall costs for the year in accordance with the outsource agreements.

In accordance with FRS102, the Plan is accounted for in the financial statements of RiverStone Insurance and RiverStone Insurance (UK), in proportion to the allocation of the contributions that are recharged from RiverStone Management.

The last full actuarial valuation of the Plan was carried out as at 31st March 2014. The results from the 31st March 2014 actuarial valuation have been updated to 31st December 2015, in line with the requirements of FRS102, and to reflect changes in market conditions, in order to measure the defined benefit obligation as at 31st December 2015. The principal actuarial assumptions used in the measurement of the defined benefit obligation as at 31st December 2015 are as follows:

	31st December 2015	31st December 2014
RPI inflation	3.1%	3.1%
CPI inflation	2.1%	2.1%
Discount rate	4.0%	3.9%
Rate of increase in salaries	3.8%	3.8%
Pension increases in payment (RPI capped at 5%)	3.0%	3.0%
Pension increases in payment (RPI capped at 2.5%)	2.1%	2.1%
Pension increases in payment (CPI capped at 5%)	2.1%	2.1%
Pension increases in payment (CPI capped at 3%)	1.9%	1.9%

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2015

The net amount included in the balance sheets of RiverStone Insurance (UK) and RiverStone Insurance arising from the Group's obligations in respect of the Plan is as follows:

	31st December 2015 £'000	31st December 2014 £'000
Present value of defined benefit obligation	(82,368)	(83,916)
Fair value of plan assets	<u>87,184</u>	<u>85,831</u>
Surplus included in balance sheet	4,816	1,915
Related deferred tax liability	<u>(915)</u>	<u>(383)</u>
Pro forma asset net of deferred tax	£ <u>3,901</u>	£ <u>1,532</u>

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

	2015 Total £'000
Opening defined benefit obligation	83,916
Employer's part of current service cost	1,477
Interest expense	3,202
Contributions from plan members	-
Actuarial loss	(3,218)
Benefits paid	(3,009)
Curtailment result	<u>-</u>
Closing defined benefit obligation	£ <u>82,368</u>

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

	2015 Total £'000
Opening fair value of plan assets	85,831
Interest income	3,379
Plan administration expenses	(195)
Actuarial gain	(3,450)
Contributions by the employer	4,628
Contributions by plan members	-
Benefits paid	<u>(3,009)</u>
Closing fair value of plan assets	£ <u>87,184</u>

RiverStone Holdings Limited (Company No. 2709527)
Notes to the Financial Statements
For the year ended 31st December 2015

The total amounts recognised in the Profit and Loss Accounts of RiverStone Insurance (UK) and RiverStone Insurance are as follows:

	2015 £'000	2014 £'000
Employer's part of current service cost	1,477	1,277
Gain on settlements and curtailments	-	-
Net interest income	(177)	(67)
Plan administration expenses	195	(243)
Total expense included in profit and loss account	£ 1,495	£ 967

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

	31st December 2015	31st December 2014
Equity instruments	50%	50%
Debt instruments	50%	50%
	100%	100%

The Plan does not have any employer-related investments.

The actual return on the Plan's assets over the year was a loss of £71,000 (2014: £4,100,000 gain).

7. Tax on (Loss) Profit on Ordinary Activities

	2015 £'000	2014 £'000
Current tax		
UK corporation tax at 20.25% (2014: 21.5%) based on the (loss) profit for the year	299	(1,185)
Group relief surrendered for nil consideration	-	1,185
Losses brought forward	(299)	-
	£ -	£ -

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 20.25% (2014: 21.5%). The differences are explained below:

	2015 £'000	2014 £'000
(Loss) profit on ordinary activities before tax	£ (19,284)	£ 43,962

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	2015	2014
	£'000	£'000
(Loss) profit on ordinary activities before tax multiplied by the UK corporation tax rate of 20.25% (2014: 21.5%)	(3,905)	9,452
Non-taxable change in value of subsidiaries	4,214	201
Non-taxable dividend income	(10)	(9,287)
Non-taxable other income	-	(1,551)
Group relief surrendered for nil consideration	-	1,185
Utilisation of losses	(299)	-
	<hr/>	<hr/>
Current tax charge for the year	£ -	£ -

8. Investments in Subsidiary Undertakings

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

	Shareholders' Equity at 31 Dec 2014 Restated £'000	Profit And Loss £'000	Liquidation £'000	Other Comprehensive Income £'000	Shareholders' Equity at 31 Dec 2015 £'000
Sphere Drake Acquisitions (UK) Ltd Dormant	50	-	(50)	-	-
RiverStone Management Ltd Run-off Agency	632	12	-	-	644
Sphere Drake Leasing Ltd Leasing Company	171	-	-	-	171
RiverStone Corporate Capital Ltd Corporate member at Lloyd's	106	-	-	3	109
RiverStone Corporate Capital 2 Ltd Corporate member at Lloyd's	358	-	-	-	358
RiverStone Insurance (UK) Ltd General Insurance	217,018	(1,249)	-	11,705	227,474
RiverStone Managing Agency Ltd Lloyd's Agency	11	-	-	-	11
RiverStone Insurance Limited General Insurance	262,238	(3,315)	-	(494)	258,429
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	480,584	(4,552)	(50)	11,214	487,196

All subsidiaries are registered in England and Wales.

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9. Debtors: Amounts Falling Due within One Year

	2015 £'000	2014 £'000
Other debtors	£ <u>7</u>	£ <u>9</u>

10. Deferred Tax

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

	2015 £'000	2014 £'000
Trading losses available to carry forward	£ <u>865</u>	£ <u>1,151</u>

11. Called up Share Capital

	2015	2014
46,606,341 (2014: 46,606,341) Ordinary Shares of £1	£ <u>46,606,341</u>	£ <u>46,606,341</u>
348,404,620 (2014: 348,404,620) Ordinary Shares of \$1	\$ <u>348,404,620</u>	\$ <u>348,404,620</u>
68,432,731 (2014: 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.

	2015 £'000	2014 £'000
<u>Total allotted and fully paid</u>		
46,606,341 (2014: 46,606,341) Ordinary Shares of £1	46,606	46,606
348,404,620 (2014: 348,404,620) Ordinary Shares of \$1	236,382	223,442
68,432,731 (2014: 68,432,731) Ordinary Shares of \$0.88	<u>40,858</u>	<u>38,622</u>
	£ <u>323,846</u>	£ <u>308,670</u>

12. Dividends

	2015 £'000	2014 £'000
Ordinary Shares		
Final paid	-	-
Interim paid	<u>-</u>	<u>36,172</u>
	£ <u>-</u>	£ <u>36,172</u>

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13. Creditors: Amounts falling due within one year

	2015	2014
	£'000	Restated £'000
Amounts owed to group undertakings	£ 28,345	£ 27,950

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. Transition to FRS102

This is the first year that RiverStone Holdings has presented its results under FRS102. The effective date of transition to FRS102 was 1st January 2014 and RiverStone Holdings has reflected the requirements of FRS102 in these financial statements with effect from that date. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31st December 2014 and total shareholders' equity as at 1st January 2014 and 31st December 2014 between UK GAAP as previously reported and FRS102.

	Previously Reported £'000	Change £'000	Restated Under FRS102 £'000
2014 Profit and Loss Account			
Change in value of subsidiaries	(937)	(4,845)	(5,782)
Profit for the financial year	43,962	(4,845)	39,117
2014 Statement of Comprehensive Income			
Re-measurements of net defined benefit obligation	(4,845)	4,845	-
Foreign exchange	26,503	-	26,503
Total comprehensive income for the year	65,620	-	65,620
Balance sheet at 31st December 2014			
Investment in subsidiary undertakings	486,016	(5,432)	480,584
Pension asset	1,915	(1,915)	-
Creditors owed to Group undertakings	(35,297)	7,347	(27,950)
Total shareholders' funds	452,792	-	452,792
Balance sheet at 1st January 2014			
Pension liability	(587)	587	-
Investment in subsidiary undertakings	458,484	(587)	457,897
Total shareholders' funds	423,344	-	423,344

The above changes represent the impact of the requirement under FRS102 for the defined benefit pension scheme to be accounted for in the financial statements of RiverStone Insurance (UK) and RiverStone Insurance.

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16. Related Party Transactions and Ultimate Parent Company

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

Advantage has been taken of the exemption from the requirement to disclose transactions with related parties within the same group as provided by FRS102, Section 33.1A. This exemption is available for RiverStone Holdings as consolidated financial statements are publicly available for Fairfax.

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