COMPANY NO. 1167327

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

RiverStone Insurance (UK) Limited

2015 Annual Report

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Directors

N. C. Bentley
L. A. Hemsley
A. J. Keys - Independent Non-Executive Chairman
T. Riddell - Independent Non-Executive Director
L. R. Tanzer

Company Secretaries

F. Henry
S. L. Davey

Registered Office

Park Gate
161-163 Preston Road
Brighton
BN1 6AU

Management Company

RiverStone Management Limited

Independent Auditors

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

Website

www.rsml.co.uk

RiverStone Insurance (UK) Limited (Company No. 1167327)
Strategic Report
For the year ended 31st December 2015

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

Ownership

RiverStone Insurance (UK) is a wholly owned subsidiary of RiverStone Holdings Limited ("RiverStone Holdings") 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. The registered office of Fairfax is 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7.

Principal Activity

RiverStone Insurance (UK) is authorised to carry on all classes of general insurance business and is engaged in the run-off of the assets and liabilities associated with its various portfolios of insurance and reinsurance.

The operations of RiverStone Insurance (UK) are administered by RiverStone Management Limited which is a fellow subsidiary of RiverStone Holdings. RiverStone Insurance (UK) is also involved in the Lloyd's market through the reinsurance protection of Syndicate 3500. Syndicate 3500 is managed by RiverStone Managing Agency Limited, a fellow subsidiary of RiverStone Holdings. The sole corporate member of Syndicate 3500 is RiverStone Corporate Capital Limited which is a fellow subsidiary of RiverStone Holdings.

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 $2.3 million (2014 (restated): $15.7 million profit).

During several years of consolidating various European based run-off portfolios of its parent, Fairfax, and acquiring other run-off portfolios, RiverStone Insurance (UK)'s primary focus has been the settlement of its policyholder obligations and recovery of reinsurance assets in an efficient and economic manner. Additionally, RiverStone Insurance (UK) continues to pursue opportunities to acquire further run-off portfolios.

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.

The balance on the technical account for general business for the year was a loss of $1.8 million (2014 (restated): $14.5 million loss). This comprises net premiums earned of $2 million, a release of net technical provisions of $12.6 million, less operating expenses of $16.4 million.

The loss on ordinary activities before tax amounts to $3.6 million and comprises net investment losses of $5.9 million, foreign exchange gains of $4.1 million, less the loss on the technical account for general business.

Shareholders' funds have decreased to $335.3 million from the originally reported amount of $342.1 million at the end of 2014. The decrease in shareholders' funds includes a prior period adjustment of $4.1 million associated with the transition to 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 adjustment of $4.1 million represents the impact on the 2014 year end shareholders' funds of reflecting RiverStone Insurance (UK)'s share of the defined benefit pension plan costs less deferred tax with effect from 1st January 2014. The decrease in shareholders' funds from the end of 2014 also includes the loss for the financial year of $2.3 million, unrealised investment losses on available for sale investments of $223,000, actuarial losses recognised in 2015 in respect of the defined benefit pension plan of $202,000, and the associated deferred tax credit of $38,000.

Performance Measurements

RiverStone Insurance (UK) has made continued progress throughout 2015 in relation to key elements of its strategy, through continued reduction in gross loss reserves and reinsurance recoverables, and the acquisition of a run-off portfolio. RiverStone Insurance (UK)'s admitted capital and capital cover as at the end of the year are as follows:

	2015	**2014**
Admitted capital	$221 million	$221 million
Capital cover against Enhanced Capital Requirement	3 times	2.6 times

Strategy and Future Developments

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

Over the past number of years, RiverStone Insurance (UK) has acquired a number of run-off portfolios of business either associated with certain Fairfax operations in Europe or from unaffiliated parties. RiverStone Insurance (UK)'s main focus continues to be the run-off of these portfolios together with actively seeking to acquire further portfolios of run-off business.

The Board considers that the insurance operations of RiverStone Insurance (UK) 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 Insurance (UK) ("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 Insurance (UK). 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 Insurance (UK) 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 RiverStone Insurance (UK)'s capital requirements and to ensure that it has the financial strength and capital adequacy to support the continued run off of the business and to meet the obligations to policyholders, regulators and other stakeholders. RiverStone Insurance (UK) has implemented the European Solvency II Directive, which came into force on 1st January 2016. The Directors consider that RiverStone Insurance (UK)'s 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 Insurance (UK) arise from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving and inadequate reinsurance protection (including the credit worthiness of major reinsurers).

By Order of the Board

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

F. Henry
Company Secretary
11th March 2016

The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Insurance (UK) Limited (Company No. 1167327) ("RiverStone Insurance (UK)" or the "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:

N. C. Bentley
L. A. Hemsley
A. J. Keys – Independent Non-Executive Chairman
T. Riddell - Independent Non-Executive Director
L. R. Tanzer

RiverStone Insurance (UK) 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 Insurance (UK) are discussed in the Strategic Report.

Dividends

An interim dividend of nil was paid during 2015 (2014: $65 million). The Directors do not recommend the payment of a final dividend (2014: nil).

Financial Instruments

As described in Note 5 to the financial statements, RiverStone Insurance (UK) is exposed to financial risk through its financial assets, liabilities, reinsurance assets and policyholder liabilities. In particular, a key financial risk is that the proceeds from financial and reinsurance assets are not sufficient to fund the obligations arising from policies as they fall due. The most important components of this financial risk that RiverStone Insurance (UK) is exposed to are interest rate risk, currency risk, credit risk and liquidity risk. RiverStone Insurance (UK) manages these risks within its overall risk management framework. The overall risk management framework is detailed in Note 5 to the financial statements.

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.

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
11th March 2016

Report on the financial statements

Our opinion

In our opinion, RiverStone Insurance (UK) 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.

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 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

Andrew Moore (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London 11th March 2016

RiverStone Insurance (UK) Limited (Company No. 1167327)
Profit and Loss Account
For the year ended 31st December 2015

	Note	2015 $'000	2014 Restated $'000
Technical Account – General Business			
Earned premiums, net of reinsurance			
Gross premiums written		89,049	66,500
Outward reinsurance premiums		(87,049)	(64,603)
Net premiums written and earned		**2,000**	**1,897**
Gross claims paid		(57,015)	(95,270)
Reinsurers' share		33,257	20,543
Net claims paid		(23,758)	(74,727)
Change in the gross provision for claims		(9,886)	86,053
Reinsurers' share		46,242	(15,646)
Change in the net provision for claims		36,356	70,407
Claims incurred, net of reinsurance		**12,598**	**(4,320)**
Net operating expenses	8	(16,419)	(12,072)
Other technical charges, net of reinsurance		**(3,821)**	**(16,392)**
Balance on the technical account for general business		**(1,821)**	**(14,495)**
Non-Technical Account			
Investment income	11	15,467	14,836
Realised gains on investments	11	1,636	18,105
Unrealised gains on investments		2,480	16,500
Unrealised losses on investments		(24,480)	(16,462)
Foreign exchange gains		4,099	4,303
Investment expenses and charges	12	(998)	(1,558)
(Loss) profit on ordinary activities before tax		**(3,617)**	**21,229**
Tax on (loss) profit on ordinary activities	13	1,277	(5,505)
(Loss) profit for the financial year		**$ (2,340)**	**$ 15,724**

The results above are all derived from continuing operations.

Gains and losses of an insurance company arising on the holding or disposal of investments and the effect of fair value accounting for financial instruments are not required to be included in a note of historical profits and losses. There are no other differences between the profit on ordinary activities before tax or the profit for the financial year stated above and their historical cost equivalents.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Statement of Comprehensive Income
For the year ended 31st December 2015

	Note	2015 $'000	2014 Restated $'000
(Loss) profit for the financial year		(2,340)	15,724
Movement on available for sale investment reserve		(223)	232
Re-measurements of net defined benefit obligation	10	(202)	(5,269)
Total tax credit on components of other comprehensive income	13	38	1,001
Total comprehensive income for the year		**$ (2,727)**	**$ 11,688**

RiverStone Insurance (UK) Limited (Company No. 1167327)
Balance Sheet
As at 31st December 2015

	Note	2015	2014
			Restated
		$'000	$'000
Assets			
Investments			
Other financial investments	14	**336,127**	**307,696**
Reinsurers' share of technical provisions			
Claims outstanding	6,15	**151,722**	**112,165**
Debtors			
Debtors arising out of direct insurance operations	16	1,330	392
Debtors arising out of reinsurance operations	17	124,440	128,483
Other debtors	18	148,027	151,025
		273,797	**279,900**
Other assets			
Cash at bank and in hand		63,397	141,419
Prepayments and accrued income			
Accrued interest and rent		1,613	970
Total Assets before Pension Asset		**826,656**	**842,150**
Pension asset	10	4,044	1,973
Total Assets after Pension Asset		**$ 830,700**	**$ 844,123**
Liabilities			
Capital and reserves			
Called up share capital	19	157,062	157,062
Other reserves		(2,226)	(2,003)
Profit and loss account		180,439	182,943
Total shareholders' funds		**335,275**	**338,002**
Technical provisions			
Claims outstanding	6	**427,125**	**434,999**
Provisions for other risks			
Deferred taxation	22	768	375
Creditors			
Creditors arising out of reinsurance operations	21	**67,532**	**70,747**
Total Liabilities		**$ 830,700**	**$ 844,123**

The financial statements on pages 11 to 42 were approved by the Board of Directors on 11th March 2016 and were signed on its behalf by:

L. R. Tanzer
Managing Director

L. A. Hemsley
Finance Director

RiverStone Insurance (UK) Limited (Company No. 1167327)
Statement of Changes in Equity
For the year ended 31st December 2015

	Called Up Share Capital $'000	Available for Sale Revaluation Reserve $'000	Profit & Loss Account Restated $'000	2014 Restated Total $'000
As at 1st January 2014	157,062	(2,235)	237,129	391,956
Prior year adjustment	-	-	(642)	(642)
As at 1st January 2014 – restated	157,062	(2,235)	236,487	391,314
Profit for the financial year	-	-	15,724	15,724
Other comprehensive income for the year	-	232	(4,268)	(4,036)
Total comprehensive income for the year	**-**	**232**	**11,456**	**11,688**
Dividend	-	-	(65,000)	(65,000)
As at 31st December 2014	**$ 157,062**	**$ (2,003)**	**$ 182,943**	**$ 338,002**

	Called Up Share Capital $'000	Available for Sale Revaluation Reserve $'000	Profit & Loss Account $'000	2015 Total $'000
As at 1st January 2015	157,062	(2,003)	182,943	338,002
Profit for the financial year	-	-	(2,340)	(2,340)
Other comprehensive income for the year	-	(223)	(164)	(387)
Total comprehensive income for the year	**-**	**(223)**	**(2,504)**	**(2,727)**
As at 31st December 2015	**$ 157,062**	**$ (2,226)**	**$ 180,439**	**$ 335,275**

1. General Information

RiverStone Insurance (UK) Limited ("RiverStone Insurance (UK)" or "the Company") is engaged in the runoff of the assets and liabilities associated with previously written insurance and reinsurance business. Additionally, RiverStone Insurance (UK) seeks to acquire new portfolios of run-off business.

RiverStone Insurance (UK) 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 Insurance (UK) 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"), Financial Reporting Standard 103, "Insurance Contracts" (FRS103) and the Companies Act 2006. The financial statements have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Groups (Accounting and Reports) Regulations relating to insurance groups.

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 and FRS103 are disclosed in Note 24.

(a) Basis of Preparation

The preparation of financial statements in conformity with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed Note 4.

(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 Insurance (UK)'s shareholders.

RiverStone Insurance (UK) 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 Financial Holdings Limited ("Fairfax") includes RiverStone Insurance (UK)'s cash flows

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

(d) Insurance Contracts

i) Premiums Written

Premiums written relate to business incepted during the year, together with any difference between recorded premiums for prior years and those previously accrued and include estimates of premiums due but not yet receivable or notified to RiverStone Insurance (UK) less an allowance for cancellations. Premiums written are shown gross of commission payable to intermediaries and exclude related taxes.

ii) Claims Incurred and Reinsurers' Share

Claims incurred comprise claims and related claims handling expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, reductions are made for salvage and other recoveries.

Provisions for outstanding claims and related reinsurance recoveries are established based on estimates of the ultimate net cost of settlement along with actuarial and statistical projections. Claims provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, levels of unpaid claims, judicial decisions and economic conditions.

Whilst the board of directors of RiverStone Insurance (UK) ("the Board") believes that the provisions for outstanding claims and related reinsurance recoveries including bad debt provisions are fairly stated, these estimates inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an incurred loss, the reporting of that loss to RiverStone Insurance (UK), RiverStone Insurance (UK)'s payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business previously underwritten and assumed by RiverStone Insurance (UK). The estimates made are based upon current facts available to RiverStone Insurance (UK) and the prevailing legal environment and are subjected to continual review, with any resulting adjustments reported in current earnings. Anticipated reinsurance recoveries are disclosed separately as assets on the balance sheet.

As discussed in Note 5 to the financial statements, RiverStone Insurance (UK) has utilised a number of other estimation techniques in order to arrive at reserves in respect of the claims arising from the terrorist attacks on 11th September 2001.

iii) The costs incurred by RiverStone Insurance (UK) associated with running off the business are as a result of services provided by RiverStone Management Limited ("RiverStone Management"), an affiliated company and managing agent for RiverStone Insurance (UK).

(e) Translation of Foreign Currencies

The financial statements are presented in US Dollars and, unless otherwise stated, are rounded to thousands. Items included in RiverStone Insurance (UK) financial statements are measured using the currency of the primary economic environment in which it operates. RiverStone Insurance UK's 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.

(f) 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 Insurance (UK)'s annual corporation tax returns, including revaluation gains and losses on investments. Deferred taxes are calculated at the rates at which it is expected that the tax liability or benefit will arise using tax rates and laws that have been enacted or substantively enacted by the 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.

(g) Investments

Other Financial Investments

RiverStone Insurance (UK) has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS102 in respect of the financial statements.

RiverStone Insurance (UK) classifies its investments into the following categories: financial assets at fair value through profit and loss and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

i) Financial Assets at Fair Value through Profit and Loss

A financial asset is classified into this category at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities. All derivatives are classified as at fair value through profit and loss.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to RiverStone Insurance (UK)'s key management personnel. RiverStone Insurance (UK)'s investment strategy is to invest in listed and unlisted equity securities and fixed interest rate debt securities and derivatives designated upon initial recognition at fair value through profit and loss.

The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit and loss are presented in the Profit and Loss Account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

ii) Available for Sale Financial Assets

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognised on the trade date i.e. the date on which RiverStone Insurance (UK) commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit and loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and RiverStone Insurance (UK) has also transferred substantially all risks and rewards of ownership.

Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Profit and Loss Account within net realised gains on investments.

RiverStone Insurance (UK) discloses its investments in accordance with a fair value hierarchy with the following levels:

(i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability based on prices of recent transactions of identical instrument; and

(iii) Level 3 - inputs for the asset or liability that are based on observable market data and unobservable market data

(h) Impairment of Financial Assets

At each balance sheet date RiverStone Insurance (UK) assesses whether there is objective evidence that an available for sale financial asset is impaired, including in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available for sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the Profit and Loss Account) is removed from equity and recognised in the Profit and Loss Account for the period. Impairment losses recognised in the Profit and Loss Account in respect of equity instruments are not subsequently reversed. The impairment loss is reversed through the Profit and Loss Account, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss.

(i) Investment Return

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

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

(j) Derivative Financial Instruments

Derivative financial instruments comprise foreign currency forward contracts. Derivatives are initially and subsequently measured at their fair value with movements in the fair value being immediately recognised in the profit and loss account. Fair values are obtained from quoted market exchange rates.

(k) Pensions

RiverStone Holdings is the principal employer for the RiverStone 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) and RiverStone Insurance Limited ("RiverStone Insurance"), a fellow subsidiary of RiverStone Holdings, 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 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 sheet is RiverStone Insurance (UK)'s share 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 10.

(l) Related Party Transactions

RiverStone Insurance (UK) 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. Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

RiverStone Insurance (UK) makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) The Ultimate Liability Arising from Claims made under Insurance Contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is RiverStone Insurance (UK)'s most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that RiverStone Insurance (UK) will ultimately pay for such claims.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Asbestos Related and Environmental Pollution Claims

RiverStone Insurance (UK) establishes case reserves for reported asbestos related and environmental pollution claims and future legal and associated expenses for such reported claims. It also establishes reserves for unreported claims and legal and associated expenses for such unreported claims. RiverStone Insurance (UK) regularly reviews the adequacy of its loss reserves for asbestos related and environmental pollution claims and claim expenses. These exposures do not lend themselves to traditional methods of loss reserve estimation. Reserving for asbestos related and environmental pollution claims is subject to significant uncertainties that are not generally present for other types of claims. These claims differ from almost all others in that it is often not clear that an insurable loss has occurred, which policy years apply and which insurers may be liable. These uncertainties prevent identification of applicable policies and policy limits until after a claim is reported to RiverStone Insurance (UK) and substantial time is spent (over many years in some cases) resolving contract issues and determining facts necessary to evaluate the claim. While the nature and extent of insurance and reinsurance coverage for these types of claims has widened in recent years, there has been no final judgement which would apply to all cases which would result in the wholesale transfer of these types of claims from insureds to insurers and reinsurers.

RiverStone Insurance (UK) expects asbestos related and environmental pollution claims to continue to be reported for the foreseeable future. The claims to be paid and timing of any such payments depend on the resolution of uncertainties associated with them and could extend over many years.

For these reasons, RiverStone Insurance (UK) estimates that the possible ultimate liabilities for these exposures could be substantially different from the amounts currently provided in the financial statements. Nevertheless, RiverStone Insurance (UK) believes that the reserves carried for these exposures are adequate based on known facts and current interpretation of applicable laws.

Claims Relating to Terrorist Attacks of 11th September 2001

RiverStone Insurance (UK), primarily through its reinsurance of Syndicate 3500, has exposure to insured losses incurred in the terrorist attacks in the United States of America on 11th September 2001. Syndicate 3500 was a first tier reinsurer of American Airlines and a direct insurer of losses related to property and contingency coverage. Syndicate 3500 also has assumed reserves for excess of loss reinsurances of other insurers and reinsurers.

At 31st December 2015, the remaining underlying reserves of Syndicate 3500 in connection with the events of 11th September are estimated to be $96 million gross and $43 million net. The gross reserves, which remain subject to uncertainty depending on the outcome of court actions in the US, are principally on the aviation classes and have been assessed on a case-by-case 'best estimate' basis.

ii) Defined Benefit Pension Scheme

RiverStone Insurance (UK) has obligations to pay pension benefits through the outsource arrangement that is in place with RiverStone Management. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Note 10 contains the disclosures relating to the defined benefit pension scheme.

5. Management of Insurance and Financial Risk

Financial Risk Management Objectives

RiverStone Insurance (UK) is exposed to insurance risk through the insurance contracts that it has written and to financial risk through its financial assets, 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 (UK) 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) Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty over the amount of the resulting ultimate claim. By the very nature of an insurance contract, this risk is unpredictable at the outset.

The principal risk that RiverStone Insurance (UK) faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits arising from insurance contracts will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. RiverStone Insurance (UK) has a diversified portfolio of insurance risks, all of which relate to business originally written previously, and which are mature in nature.

RiverStone Insurance (UK) mitigates insurance risk through the use of reinsurance, both in the form of third party reinsurance associated with the business originally written and reinsurance with an affiliate reinsurer.

i) Process for Assessment of Technical Provisions

RiverStone Insurance (UK) adopts a consistent process to the calculation of an appropriate provision for the exposures arising from the business it has written. A full reserving analysis is conducted at least annually and the technical provisions recorded on the balance sheet are in line with the Board's view of the best estimate value of the underlying liabilities.

The technical provisions recorded at the reporting date comprise the estimated ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. RiverStone Insurance takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The provision is based on known facts at the balance sheet date. The provision is reviewed as part of a regular ongoing reserving process as the loss experience develops, certain claims are settled and further claims are reported. The cash flow, paid claims, outstanding claims, claims counts and incurred movement are compared with the actuaries' expected development of the account by class and year and where statistically significant, large loss or loss type. Where necessary, revisions are made to the ultimate expected loss on a best estimate basis.

RiverStone Insurance (UK) uses assumptions based on a mixture of claims information, internal historical data and market data to measure its claims liabilities. This information is used to project the ultimate expected number and value of claims, by major class of business, using recognised statistical estimation techniques.

Assumptions are reviewed and tested regularly in the light of actual claims development and general market movements and trends.

ii) Sources of Uncertainty in the Estimation of Future Claim Payments

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts is discussed in Note 4.

RiverStone Insurance (UK) takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the future looking nature of outstanding claims and latency involved with certain classes of claims, for example asbestos exposures, it is likely that the final outcome, on a claim by claim basis, will prove to be different from the original assessed reserve for any given claim, although in aggregate, for known claims, the expected outcome is intended to be close to a breakeven, on a best estimate basis, with neither surplus or loss being generated over time. This is an aspect of executive and actuarial review which is closely monitored. In respect of latent claims (those that have yet to be notified) care is taken to assess historical notification patterns and the propensity of the underlying classes to produce losses (for example some policy classes are on the claims made form and no new notifications are able to be made post expiry). The estimation of future losses will be cross referred to industry benchmarks and adjusted for actual experience over time.

The liability for insurance contracts comprises a provision for claims incurred but not yet reported and a provision for reported claims not yet paid. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims that have already been notified, for which there is more information available.

iii) Key Assumptions and Sensitivities

The assumptions that have the greatest impact on technical provisions are those that affect the expected level of claims. The most material liabilities and uncertainties for RiverStone Insurance (UK) relate to asbestos and European motor claims, together with RiverStone Insurance (UK)'s exposure to WTC by virtue of its whole account reinsurance of Syndicate 3500. Both the asbestos exposures and those of the European motor book are of a long-tailed nature and involve the resolution and settlement of claims arising from severe bodily injury.

The most sensitive assumptions in respect of the assessment of the ultimate liability for European motor exposures are long-term assumptions on the cost of continuing care and related inflationary factors. Since the claims are paid over an extended period, the final outcome is highly geared to the longer term inflation, mortality and interest rate valuation assumptions.

The underlying sensitivity of the technical provisions in respect of asbestos claims is driven by large individual bodily injury claims and their cost of closure through the US court systems and other mechanisms. The claims have a long latency period and their emergence is also dependent on the efficiency with which the US legal system identifies and processes these claims. Direct insurance exposures have proved over the previous 5 years to have developed largely as anticipated, in a stable manner. Where RiverStone Insurance (UK) acts as a high excess or reinsurance writer, then the residual variability is inherently greater and appropriate provisions are carried in recognition of this.

iv) Claims Development Tables

The following tables present the comparison of actual claims incurred to previous estimates.

Claims outstanding (gross) **Underwriting year**	**2011** **$'000**	**2012** **$'000**	**2013** **$'000**	**2014** **$'000**	**2015** **$'000**	**Total** **$'000**
Estimate of ultimate claims costs:						
At end of reporting year	108,617	236,323	-	56,909	82,256	484,105
- One year later	83,748	219,637	-	58,150		361,535
- Two years later	68,961	212,954	-			281,915
- Three years later	67,295	205,974				273,269
- Four years later	63,036					63,036
- Five years later						-
- Six years later						-
- Seven years later						-
- Eight years later						-
- Nine years later						-
Current estimate of cumulative claims	63,036	205,974	-	58,150	82,256	409,416
Cumulative payments to date	(30,599)	(85,767)	-	(8,485)	(20,158)	(145,009)
Liability recognised in the balance sheet	**$ 32,437**	**$ 120,207**	**$ -**	**$ 49,665**	**$ 62,098**	**$ 264,407**
Reserve in respect of prior years						162,718
Total reserve included in balance sheet						**$ 427,125**

Claims outstanding (net) **Underwriting year**	**2011** **$'000**	**2012** **$'000**	**2013** **$'000**	**2014** **$'000**	**2015** **$'000**	**Total** **$'000**
Estimate of ultimate claims costs:						
At end of reporting year	108,617	197,675	-	-	-	306,292
- One year later	83,748	180,989	-	-		264,737
- Two years later	68,961	181,460	-			250,421
- Three years later	67,295	175,611				242,906
- Four years later	63,036					63,036
- Five years later						-
- Six years later						-
- Seven years later						-
- Eight years later						-
- Nine years later						-
Current estimate of cumulative claims	63,036	175,611	-	-	-	238,647
Cumulative payments to date	(30,599)	(73,644)	-	-	-	(104,243)
Liability recognised in the balance sheet	**$ 32,437**	**$ 101,967**	**$ -**	**$ -**	**$ -**	**$ 134,404**
Reserve in respect of prior years						140,999
Total reserve included in balance sheet						**$ 275,403**

v) Insurance Risk Concentrations

The concentration of insurance risk before and after reinsurance by the most material classes of business is summarised below, with reference to the carrying amount of outstanding claims (gross and net of reinsurance) arising from insurance contracts:

	2015		2014	
	Gross $'000	Net $'000	Gross $'000	Net $'000
Asbestos	93,037	50,274	79,414	63,827
European Motor/ Third Party Liability	75,936	75,929	86,191	86,183
Asbestos structured settlements	50,400	33,307	34,943	34,884
Italian Medical Malpractice	47,995	-	63,393	-
WTC Aviation	36,315	35,638	38,834	38,157
Pollution	20,101	8,020	14,080	6,976
All other loss reserves	86,477	59,344	96,204	70,867
Claims expense reserve	16,864	12,891	21,940	21,910
Total technical provisions	**$ 427,125**	**$ 275,403**	**$ 434,999**	**$ 322,834**

(b) 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 (UK) 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 (UK), 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 (UK)'s investments held at 31st December 2015 is an approximate $8.3 million loss (2014: $7.5 million) to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate $8 million gain (2014: $8.6 million) to the profit and loss account.

ii) Equity Price Risk

RiverStone Insurance (UK) 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 comprise unlisted and listed investments. Listed investments are those that are traded on recognised stock exchanges, primarily in Europe, North America and Asia.

RiverStone Insurance (UK) 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 (UK)'s price risk arising from its investments in equity securities.

Listed equity securities held at 31st December 2015 represent 71.6% of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all RiverStone Insurance (UK)'s equity investments moved according to the historical correlation with the index, the profit for the year would increase/decrease by $4.5 million (2014: $4.7 million).

iii) Currency Risk

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

At 31st December 2015, if the Euro had weakened by 10% against the US Dollar with all other variables held constant, profit for the year would have been $500,000 million higher (2014: $6.4 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.

At 31st December 2015, if the Pound had weakened by 10% against the US Dollar with all other variables held constant, profit for the year would have been $2.3 million lower (2014: $3.2 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.

(c) 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 (UK) 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
- cash at bank and in hand

As RiverStone Insurance (UK) is in runoff its exposures to reinsurers and insurance intermediaries are determined by contracts previously written. RiverStone Insurance (UK) 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 (UK)'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 (UK) 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 (UK) 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.

RiverStone Insurance (UK) specifically monitors its exposure to the credit risk of the loan receivable that it has from an affiliated company. RiverStone Insurance (UK) reviews the financial performance of the affiliated entity on a quarterly basis.

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

	2015 $'000	2014 $'000
Derivative financial instruments	-	3,203
Debt securities	210,401	174,225
Assets arising from reinsurance contracts held	276,163	93,567
Cash at bank and in hand	63,397	141,419
Affiliated loan receivable	114,646	114,646
Total assets bearing credit risk	**$ 664,607**	**$ 527,060**
A++	171,198	30,518
A+	9,954	109,043
A, A-	123,973	185,077
B++ and below or not rated (including affiliated assets)	359,482	202,422
Total assets bearing credit risk	**$ 664,607**	**$ 527,060**

Assets arising from reinsurance contracts held, including premium receivable are further analysed as follows:

	2015 $'000	2014 $'000
Performing	270,196	103,601
Past due	1,200	17,189
Impaired	34,057	20,352
Provision for irrecoverable amounts	(29,290)	(47,575)
Total	**$ 276,163**	**$ 93,567**

(d) Liquidity Risk

The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The table below analyses the maturity of RiverStone Insurance (UK)'s financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented in their expected cash flows.

	No Contractual Maturity Date $'000	< 6 months or on demand $'000	Between 6 months and 1 year $'000	Between 1 year and 2 years $'000	Between 2 years and 5 years $'000	> 5 Years $'000	Carrying Value $'000
At 31 December 2015							
Creditors	-	7,622	4,765	7,915	15,413	31,817	67,532
Claims outstanding	-	17,034	17,034	109,264	76,542	207,252	427,125
Financial liabilities and outstanding claims	**$ -**	**$ 24,656**	**$ 21,799**	**$ 117,179**	**$ 91,955**	**$ 239,069**	**$ 494,657**
At 31 December 2014							
Creditors	-	9,323	4,831	8,205	17,407	30,981	70,747
Claims outstanding	-	25,671	25,671	39,435	155,475	188,747	434,999
Financial liabilities and outstanding claims	**$ -**	**$ 34,994**	**$ 30,502**	**$ 47,640**	**$ 172,882**	**$ 219,728**	**$ 505,746**

(e) Capital Management

RiverStone Insurance (UK) maintains an efficient capital structure comprising only its equity shareholders' funds, consistent with its risk profile and the regulatory and market requirements of its business. RiverStone Insurance (UK)'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, regulators and other stakeholders;
- to retain financial flexibility by maintaining adequate liquidity

RiverStone Insurance (UK) 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 (UK) manages as capital all items that are eligible to be treated as capital for regulatory purposes. RiverStone Insurance (UK) is regulated by the Prudential Regulation Authority ("the PRA") and Financial Conduct Authority ("FCA") 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 (UK) manages capital in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. RiverStone Insurance (UK) 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 PRA's individual capital adequacy regime. RiverStone Insurance (UK) has complied with all externally imposed capital requirements throughout the year. RiverStone Insurance (UK) has implemented all aspects of the new Solvency II regulatory regime, which came into effect on 1st January 2016.

6. Reconciliation of Technical Provisions

A reconciliation of the changes to RiverStone Insurance (UK)'s gross, ceded and net loss reserves from 1st January 2015 to 31st December 2015 is as follows:

	Gross $'000	Ceded $'000	Net $'000
Amounts at 1st January 2015	434,999	112,165	322,834
Reinsurance of new liabilities	89,049	89,049	-
Amounts paid during the year	(57,015)	(33,257)	(23,758)
Change in estimate of reserves	(22,148)	(9,550)	(12,598)
Foreign exchange	(17,760)	(6,685)	(11,075)
Amounts at 31st December 2015	**$ 427,125**	**$ 151,722**	**$ 275,403**

7. Analysis of Gross Business

	Gross premiums written 2015 $'000	Gross premiums earned 2015 $'000	Gross claims incurred 2015 $'000	Gross operating expenses 2015 $'000	Re-insurance balance 2015 $'000
Direct Insurance					
Motor	-	-	-	-	-
Marine, aviation and transport	35,675	35,675	(8,073)	(3,106)	(911)
Fire and other damage to property	-	-	(488)	(122)	(55)
Third-party liability	-	-	(8,297)	(550)	(936)
Miscellaneous	-	-	(573)	(455)	(65)
	35,675	35,675	(17,431)	(4,232)	(1,967)
Reinsurance acceptances	53,374	53,374	(49,470)	(12,186)	(5,583)
Total	**$ 89,049**	**$ 89,049**	**$ (66,901)**	**$ (16,419)**	**$ (7,550)**

	2014 $'000	2014 $'000	2014 $'000	2014 $'000	2014 $'000
Direct Insurance					
Motor	-	-	(432)	(162)	(2,801)
Marine, aviation and transport	-	-	(631)	(1,367)	(4,086)
Fire and other damage to property	-	-	(11)	16	(72)
Third-party liability	-	-	(13)	(18)	(81)
Miscellaneous	-	-	(14)	(17)	(93)
	-	-	(1,101)	(1,548)	(7,133)
Reinsurance acceptances	66,500	66,500	(8,116)	(12,461)	(52,573)
Total	**$ 66,500**	**$ 66,500**	**$ (9,217)**	**$ (14,009)**	**$ (59,706)**

8. Net Operating Expenses

	2015	2014 Restated
	$'000	$'000
Administrative expenses	$ 16,419	$ 12,176

RiverStone Insurance (UK) has no employees. The administration of RiverStone Insurance (UK) is carried out by RiverStone Management, a fellow subsidiary, which also provides these services to other group companies.

The Directors receive no emoluments from RiverStone Insurance (UK). The contracts of employment of the U.K. executive Directors and employees are with RiverStone Management which makes charges to RiverStone Insurance (UK) for the services described above. Emoluments paid by RiverStone Management to the Directors of RiverStone Insurance (UK) in respect of their services as directors of RiverStone Insurance (UK) are summarised below. These amounts represent emoluments based on an apportionment of the Directors' time.

	2015	2014
	$'000	$'000
Aggregate emoluments	$ 701	$ 633

Retirement benefits are accruing to three directors (2014: three) under a defined benefit pension scheme.

During the year no directors exercised share options (2014: none).

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

	2015	2014
	$'000	$'000
Aggregate emoluments	$ 409	$ 308

As at 31st December 2015 a pension of $71,300 per annum (2014: $72,600) was accrued under a defined benefit pension scheme for the highest paid Director.

9. Auditors' Remuneration

	2015 $'000	2014 $'000
Audit	435	411
Audit related assurance services	27	25
Tax compliance services	7	-
Other assurance services	23	31
Other non-audit services	161	36
	$ 653	$ 503

10. Pension Costs

RiverStone Holdings Limited ("RiverStone Holdings") is the principal employer for the RiverStone 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 (UK) and RiverStone Insurance 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 (UK) and RiverStone Insurance, 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%

The net amounts included in the balance sheet arising from the obligations in respect of the Plan are as follows. These comprise the amounts in respect of the total Plan and those in respect of RiverStone Insurance (UK)'s share.

	31st December 2015		31st December 2014	
	Total $'000	**Share $'000**	**Total $'000**	**Share $'000**
Present value of defined benefit obligation	(121,402)	(69,173)	(130,850)	(86,436)
Fair value of plan assets	128,500	73,217	133,836	88,409
Surplus included in balance sheet	7,098	4,044	2,986	1,973
Related deferred tax liability recognised	(1,349)	(768)	(565)	(373)
Pro forma asset liability net of deferred tax	**$ 5,749**	**$ 3,276**	**$ 2,422**	**$ 1,600**

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

	2015 Total Plan $'000
Opening defined benefit obligation	130,850
Employer's part of current service cost	2,257
Interest expense	4,894
Contributions from plan members	-
Actuarial gain	(4,918)
Benefits paid	(4,599)
Curtailment result	-
Foreign exchange	(7,082)
Closing defined benefit obligation	**$ 121,402**

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

	2015 Total Plan $'000
Opening fair value of plan assets	133,836
Interest income	5,164
Plan administration expenses	(298)
Actuarial loss	(5,273)
Contributions by the employer	7,073
Contributions by plan members	-
Benefits paid	(4,599)
Foreign exchange	(7,404)
Closing fair value of plan assets	**$ 128,500**

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

	2015 Total Plan $'000	2014 Total Plan $'000
Employer's part of current service cost	2,257	2,104
Gain on settlements and curtailments	-	-
Net interest income	(271)	(110)
Plan administration expenses	298	400
Total expense included in profit and loss account	**$ 2,285**	**$ 2,394**

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 invest in any employer-related investments or employer-related properties.

The total actual return on the Plan's assets over the year was a loss of $109,000 (2014: $7,158,000 gain).

11. Investment Return

	2015 $'000	2014 $'000
Investment income		
Income from available for sale financial assets	1,652	1,700
Income from financial assets at fair value through profit and loss – designated upon initial recognition	3,726	2,664
Deposit interest	14	11
Income from treasury bills	155	163
Interest on deposits withheld	207	569
Interest from affiliated company	9,712	9,729
	$ 15,467	**$ 14,836**
Realised gains on investments		
Financial assets at fair value through profit and loss:		
Held for trading	577	18,018
Available for sale financial assets	1,059	87
	$ 1,636	**$ 18,105**

12. Investment Expenses and Charges

	2015 $'000	2014 $'000
Investment Expenses	$ (998)	$ (1,558)

13. Taxation

	2015 $'000	2014 $'000
Taxation on (Loss) Profit on Ordinary Activities		
Current tax		
UK corporation tax at 20.25% (2014: 21.5%) based on the (loss) profit for the year	(1,459)	4,297
Prior year adjustment	(249)	-
Total current tax	(1,708)	4,129
Deferred tax		
Origination and reversal of timing differences	431	1,376
Total deferred tax	431	1,376
Tax on (loss) profit on ordinary activities	$ (1,277)	$ 5,505

Tax expense included in other comprehensive income

Deferred tax		
Origination and reversal of timing differences	$ (38)	$ (1,001)

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 Restated $'000
(Loss) profit on ordinary activities before tax	$ (3,617)	$ 21,229

	2015 $'000	2014 Restated $'000
Profit on ordinary activities before tax multiplied by the UK corporation tax rate of 20.25% (2014: 21.5%)	(732)	4,564
Non-taxable dividend income	(362)	(36)
Expenses not deductible for tax purposes	(345)	(220)
Available for sale investment movements	(114)	50
Tax on overseas earnings	94	-
Prior year adjustment	(249)	(168)
Current tax (credit) charge for the year	**$ (1,708)**	**$ 4,129**

14. Other Financial Investments

(a) Other Financial Investments by Category

	Carrying Value		Historic Cost	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
At fair value through profit and loss				
Debt securities and other fixed-income securities designated at fair value through profit or loss upon initial recognition	205,398	162,217	193,881	149,609
Equity shares	125,674	130,210	132,057	114,768
Derivative financial instruments at fair value through profit or loss, held for trading	-	3,203	-	-
	331,072	**295,630**	**325,938**	**264,377**
Available for sale				
Equity shares	52	58	48	48
Debt securities and other fixed-income securities	5,003	12,008	8,582	14,429
	5,055	**12,066**	**8,630**	**14,477**
	$ 336,127	**$ 307,696**	**$ 334,568**	**$ 278,854**

(b) Listed Investments

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

	2015 $'000	2014 $'000
At fair value through profit and loss		
Debt securities and other fixed-income securities designated at fair value through profit or loss upon initial recognition	88,926	87,850
Equity shares	89,992	93,904
Derivative financial instruments at fair value through profit or loss, held for trading	-	3,203
	178,918	**184,957**
Available for sale		
Debt securities and other fixed-income securities	5,003	4,856
Total listed investments	**$ 183,921**	**$ 189,813**

(c) Derivative Financial Instruments, at Fair Value through Profit and Loss

	Market Value 2015 $'000	Market Value 2014 $'000	Historic Cost 2015 $'000	Historic Cost 2014 $'000
Derivative financial instruments assets				
Foreign currency forward contracts	**$ -**	**$ 3,203**	**$ -**	**$ -**

During 2014, RiverStone Insurance (UK) entered into a foreign currency forward contract to buy $49.6 million for €38.3 million. This contract was entered into to protect RiverStone Insurance (UK)'s euro net asset balances against falls in the EUR: USD exchange rate. This contract matured in 2015.

(d) Disclosures of Fair Values in Accordance with the Fair Value Hierarchy

	Level 1 2015 $'000	Level 2 2015 $'000	Level 3 2015 $'000	Total 2015 $'000
A fair value through profit and loss				
Debt securities and other fixed-income securities designated at fair value through profit or loss upon initial recognition	116,473	83,337	5,588	205,398
Equity shares	82,627	39,492	3,555	125,674
Available for sale				
Equity shares	-	-	52	52
Debt securities and other fixed-income securities	-	5,003	-	5,003
Total	$ 199,100	$ 127,832	$ 9,195	$ 336,127

	2014 $'000	2014 $'000	2014 $'000	2014 $'000
A fair value through profit and loss				
Debt securities and other fixed-income securities designated at fair value through profit or loss upon initial recognition	74,367	81,184	6,666	162,217
Equity shares	93,904	25,173	11,133	130,210
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	3,203	3,203
Available for sale				
Equity shares	-	-	58	58
Debt securities and other fixed-income securities	-	12,008	-	12,008
Total	$ 168,271	$ 118,365	$ 21,060	$ 307,696

Level 3 investments valuations are based on third party broker quotes.

(e) Level 3 Pricing

Level 3 valuation techniques are used by RiverStone Insurance (UK)'s investment manager's independent pricing service providers and third party broker-dealers and include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. RiverStone Insurance (UK)'s investment manager assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets, where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk free rate).

RiverStone Insurance (UK)'s investment manager employs dedicated personnel responsible for the valuation of the investment portfolio. Detailed valuations are performed for those financial instruments that are priced internally, while external pricing received from independent pricing service providers and third party broker-dealers are evaluated by the company for reasonableness. RiverStone Insurance (UK)'s investment manager's Chief Financial Officer oversees the valuation function and regularly reviews valuation processes and results, including at each quarterly reporting period. Significant valuation matters, particularly those requiring extensive judgment, are communicated to RiverStone Insurance (UK)'s investment manager's Audit Committee and to RiverStone Insurance (UK).

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

	At Fair Value Through Profit and Loss			Available for Sale		
	Debt Securities 2015 $'000	Equity Shares 2015 $'000	Derivatives 2015 $'000	Debt Securities 2015 $'000	Equity Shares 2015 $'000	Total 2015 $'000
At 1 January	6,666	11,133	3,203	-	58	21,060
Total losses recognised in the profit and loss account	(1,078)	(195)	(3,203)	-	(6)	(4,482)
Purchases	-	1,162	-	-	-	1,162
Transfers from Level 3 to Level 2	-	(8,545)	-	-	-	(8,545)
Total	**$ 5,588**	**$ 3,555**	**$ -**	**$ -**	**$ 52**	**$ 9,195**

	2014 $'000	2014 $'000	2014 $'000	2014 $'000	2014 $'000	2014 $'000
At 1 January	5,000	4,969	-	-	66	10,035
Total gains recognised in the profit and loss account	1,666	269	3,203	-	(8)	5,130
Purchases	-	5,895	-	-	-	5,895
Total	**$ 6,666**	**$ 11,133**	**$ 3,203**	**$ -**	**$ 58**	**$ 21,060**

Total losses of $4,482,000 (2014: gains of $5,130,000) comprise realised losses of $3,203,000 and unrealised losses of $1,279,000 (2014: gains of $5,130,000) on Level 3 financial investments held during the year, all of which are presented in the net investment return in the profit and loss account.

There was one transfer from Level 3 to Level 2 during the year with a market value of $8,545,213. There were no transfers between Level 3 and Level 1, or between Levels 1 and 2 during the year (2014: none).

(g) Collateralised Investments

RiverStone Insurance (UK) has outstanding letters of credit, guarantees and deposits of $147,074,000 (2014: $164,828,000) issued in favour of cedants and certain other creditors collateralised by investments and cash with a market value of $176,344,000 and a cost of $171,032,000 (2014: market value $188,862,000; cost $189,214,000).

15. Reinsurers' Share of Technical Provisions – Claims Outstanding

Included within reinsurer's share of technical provisions – claims outstanding are amounts recoverable from an affiliated company of $111.8 million (2014: $63.4 million) in respect of a quota share reinsurance contract.

16. Debtors Arising Out of Direct Insurance Operations

	2015 $'000	2014 $'000
Amounts owed by intermediaries	$ 1,330	$ 392

17. Debtors Arising Out of Reinsurance Operations

	2015 $'000	2014 Restated $'000
Amounts owed by reinsurers and intermediaries	23,152	22,889
Amounts owed by group undertakings	101,288	105,594
	$ 124,440	$ 128,483

18. Other Debtors

	2015 $'000	2014 $'000
Amounts owed by group undertakings	146,534	150,427
Tax	1,493	598
	$ 148,027	$ 151,025

19. Called up Share Capital

		2015		2014
Allotted				
10 (2014: 10) Ordinary Shares of £1 - fully paid	£	10	£	10
10 (2014: 10) 'A' Ordinary Shares of £1 - fully paid	£	10	£	10
157,062,215 (2014: 157,062,215) Ordinary Shares of $1 - fully paid	$	157,062,215	$	157,062,215

In all respects Ordinary US Dollar Shares rank pari passu with the Ordinary Sterling Shares.

Allotted, issued and called up share capital presented in US dollars as adopted in the Financial Statements:

		2015 $'000		2014 $'000
10 (2014: 10) Ordinary Shares of £1 - fully paid		-		-
10 (2014: 10) 'A' Ordinary Shares of £1 - fully paid		-		-
157,062,215 (2014: 157,062,215) Ordinary Shares of $1 - fully paid		157,062		157,062
	$	157,062	$	157,062

20. Dividends

		2015 $'000		2014 $'000
Ordinary Shares				
Final paid		-		-
Interim paid		-		65,000
	$	-	$	65,000

21. Creditors Arising Out of Reinsurance Operations

		2015 $'000		2014 $'000
Balances owed to cedants and intermediaries		6,895		8,187
Amounts owed to group undertaking		60,639		62,560
	$	67,532	$	70,747

22. Deferred Tax

	2015 $'000	2014 $'000
At 1st January 2015	375	-
Recognition of future timing differences	393	375
At 31st December 2015	**$ 768**	**$ 375**

The deferred tax provision comprises the timing difference in respect of the defined benefit scheme pension asset.

23. Litigation and Contingent Liabilities

(a) RiverStone Insurance (UK) is regularly involved, directly or indirectly, in litigation in the ordinary course of conducting its business including certain cases relating to asbestos and environmental pollution claims, as more fully described in Note 4. In the judgment of the Directors, none of these cases, individually or collectively, are likely to result in judgments for amounts which, net of loss and loss adjustment expense reserves previously established and reinsurance recoverables which RiverStone Insurance (UK) believes are probable of realisation, would have a material effect on the financial position of RiverStone Insurance (UK).

(b) RiverStone Insurance (UK) has provided a guarantee of the solvency of its affiliate, RiverStone Managing Agency Limited, of up to $1.5 million.

24. Transition to FRS102 and FRS103

This is the first year that RiverStone Insurance (UK) has presented its results under FRS102 and FRS103. The effective date of transition to FRS102 and FRS103 was 1st January 2014 and RiverStone Insurance (UK) has reflected the requirements of FRS102 and FRS103 in these financial statements with effect from that date. The impact of the implementation of FRS103 on the financial statements is increased disclosure requirements over insurance contracts. 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			
Net Operating Expense	14,008	(1,936)	12,072
Foreign exchange gains	4,086	217	4,303
Tax on profit on ordinary activities	4,129	1,376	5,505
Profit for the financial year	14,947	777	15,724
2014 Statement of Comprehensive Income			
Re-measurements of net defined benefit obligation	-	(5,269)	(5,269)
Total tax credit on components of other comprehensive income	-	1,001	1,001
Total comprehensive income for the year	15,179	(3,491)	11,688
Balance sheet at 31st December 2014			
Other debtors	156,756	(5,731)	151,025
Deferred tax liability	-	375	375
Pension asset	-	1,973	1,973
Total shareholders' funds	342,135	(4,133)	338,002
Balance sheet at 1st January 2014			
Pension liability	-	(642)	(642)
Total shareholders' funds	391,956	(642)	391,314

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, to whom the costs are ultimately charged, as opposed to the principal employer, RiverStone Holdings.

25. Related Party Transactions and Ultimate Parent Company

RiverStone Insurance (UK) is a wholly owned subsidiary of RiverStone Holdings Limited which is registered in England and Wales. 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 Insurance (UK) 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.