COMPANY NO. 1167327

REGISTERED OFFICE: Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU

RiverStone Insurance (UK) Limited

2019 Annual Report

Contents

Directors

M. J. Bannister
N. C. Bentley
A. R. Creed (appointed 14th March 2019
L. A. Hemsley (resigned 14th March 2019)
A. J. E. Masterson - Independent Non-Executive Director
T. A. Riddell - Independent Non-Executive Chairman
K. Shah - Independent Non-Executive Director
L. R. Tanzer

Company Secretaries

F. Henry
S. L. Garrod

Registered Office

Park Gate
161-163 Preston Road
Brighton
East Sussex
United Kingdom
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.trg.com

The Directors have pleasure in presenting the Strategic Report of RiverStone Insurance (UK) Limited ("RiverStone Insurance (UK)" or "the Company") for the year ended 31st December 2019.

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 ("RiverStone Corporate Capital") which is a fellow subsidiary of RiverStone Holdings.

RiverStone Insurance (UK) has a wholly owned subsidiary, RiverStone Luxembourg S.à.r.l, domiciled in Luxembourg. This company is currently dormant.

Business Review

Results and Performance

The results for the year set out in the profit and loss account show a profit for the financial year of £45.5 million (2018: profit of £121.4 million).

The balance on the technical account for general business for the year was a profit of £2.6 million (2018: £7.3 million). This comprises a release of net technical provisions of £22.1 million and technical balance write offs of £200,000, partially offset by operating expenses of £19.7 million.

The profit before tax amounts to £53.2 million (2018: £118.4 million) and comprises net investment gains of £66.6 million (2018: loss of £34.9 million), foreign exchange losses of £15.4 million (2018: gain of £12.6 million), the gain on the technical account for general business, plus other income of £1.4 million and other charges of £1.5 million.

Total shareholders' funds have increased to £550.6 million from £505.3 million at the end of 2018. The increase in total shareholders' funds from the end of 2018 includes the profit for the financial year of £45.5 million, unrealised investment losses on available for sale investments of £503,000, less a tax charge on components of other comprehensive income of £717,000.

Effective 31st January 2020, following sanction by the High Court, a portfolio of liabilities primarily comprising asbestos, pollution and health exposures attaching to policies issued by a Japanese (re)insurer were transferred into RiverStone Insurance (UK) by way of a Part VII transfer. Under this transfer, net liabilities of £102.4 million were transferred to RiverStone Insurance (UK).

Performance Measurements

RiverStone Insurance (UK) made continued progress throughout 2019 in relation to key elements of its strategy, through the continued proactive management of its existing liabilities and through the acquisition of further run-off portfolios.

Gross loss reserves have decreased by 20% and reinsurance recoverables have decreased by 19%.

RiverStone Insurance (UK)'s Solvency II available own funds capital as at the end of the year is £470.8 million (2018: £419.7 million).

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.

On 20th December 2019, Fairfax entered into an agreement to sell a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System (''OMERs''), the pension plan manager for government employees in the province of Ontario. The European Run-off group includes RiverStone Insurance (UK) and its immediate parent RiverStone Holdings Limited. Upon completion of the transaction, OMERs and Fairfax will have joint control of the European Run-off group. Accordingly, Fairfax will deconsolidate the European Run-off group from its run-off reporting segment and apply the equity method of accounting for its remaining equity interest. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2020.

The Board of RiverStone Insurance (UK) has undertaken significant planning to prepare for the UK leaving the European Union and acknowledges that the primary potential impact on RiverStone Insurance (UK) is its ability to continue to service policies relating to EU policyholders. In 2018, the Board approved a Brexit contingency plan establishing a strategy of seeking to dispose of the impacted liabilities by means of a Part VII transfer to a third party that is duly licensed in an EEA member state and who could then administer the run-off. The Board have continued to monitor and review this strategy and, during 2019, made the decision not to proceed on this basis, having concluded that the value of the impacted liabilities was not material. RIUK will take advantage of transitional and permanent dispensations provided by specific EEA jurisdictions in ensuring claims can continue to be settled. The Board continues to monitor and review this revised strategy and will take revised actions should the dispensations prove to be insufficient.

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, legal and finance departments take on an important oversight role in this regard. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively; it is assisted in discharging these responsibilities by the RiverStone Holdings Group Risk Committee.

RiverStone Insurance (UK) has developed a framework for identifying the risks that it is exposed to and their impact on economic capital. This process uses risk-based 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. The Directors consider that RiverStone Insurance (UK)'s capital is adequate to meet its business needs under the regulatory capital regime.

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). RiverStone Insurance (UK)'s assets and liabilities are also exposed to market risk, including the impact of changes to interest rates, equity price fluctuations and adverse changes in exchange rates.

Section 172(1) of the Companies Act 2006

The Board of directors of RiverStone Insurance (UK) consider, in good faith, that they have had appropriate regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172.

Consequences of any Decision in the Long Term

The Board undertakes a detailed review of the Company's strategy annually and is actively involved in reviewing and approving the acquisitions policy and any acquisitions which ultimately drive the future of the business. All acquisitions are considered as part of an overarching governance process and set of risk appetite statements which actively ensure that all risks associated with the strategy are considered and long-term value is core to the decision-making process.

Employees

The Board acknowledges people are essential to the delivery of our strategy. While the Company has no immediate employees, the Board ensures that the interests of the employees of RiverStone Management, our outsources services provider, are appropriately considered when taking decisions. The Board is aware through its engagement with RiverStone Management, that there exists a well-established structure through which RiverStone Management supports engagement regularly with its employees. During 2019 this included quarterly staff presentations including a full day off-site at which relevant business speakers presented to our employees. Other activity in 2019 included technology surveys, the initiation of a diversity and inclusion forum and regular training for our employees.

Business Relationships

The Board recognises that relationships with our stakeholders are key to the delivery of our strategy. During 2019, several members of the Board have had the opportunity to meet with our key regulator, the Prudential Regulation Authority, which continues to refresh and facilitate an understanding of their needs and expectations. The Board regularly engages with the Managing Director of RiverStone Management, our outsource services provider, to ensure that our core supplier relationship is fostered.

Community and Environment

The Board engages actively with RiverStone Management, our outsource services provider, to encourage, support and foster a positive relationship with the community and the environment. In the current year, through this engagement, the Board has supported charitable giving, infrastructure improvements to leased offices to support a reduction in our carbon footprint and the establishment of a diversity and inclusion forum. The

Board note that while it has no employees that it supports RiverStone Management's policy of matching employee charitable donations and of allowing time to be available to support others in our communities.

Business Conduct

The Board recognises that a commitment to a high standard of business conduct is critical to the delivery of our strategy and aspires to complete honesty and transparency in all activity. Among key documents reviewed and approved by the Board annually are the Conduct Risk Strategy and Financial Crime Policy and the Board further monitors the performance of RiverStone Management, our outsource services provider, who is committed to maintaining the higher ethical standards.

Shareholder Engagement

The Board is committed to an open engagement with our shareholders and has had the opportunity to regularly meet with the directors of the immediate holding company throughout the year.

By Order of the Board

Park Gate
161-163 Preston Road
Brighton, East Sussex
United Kingdom, BN1 6AU

F Henry
Company Secretary
3rd March 2020

RiverStone Insurance (UK) Limited (Company No. 1167327)
Directors' Report
For the year ended 31st December 2019

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 2019.

Directors

Directors holding office during the period from 1st January 2019 to the date of this report were:

M. J. Bannister
N. C. Bentley
A. R. Creed (appointed 14th March 2019)
L. A. Hemsley (resigned 14th March 2019)
A. J. E. Masterson - Independent Non-Executive Director
T. A. Riddell - Independent Non-Executive Chairman
K. Shah - 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

RiverStone Insurance (UK) paid no interim dividends during the year (2018: nil). The Directors do not recommend a final dividend (2018: 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, equity risk, currency risk, credit risk and liquidity risk. RiverStone Insurance (UK) manages these risks within its overall risk management framework.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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, East Sussex
United Kingdom, BN1 6AU

F Henry
Company Secretary
3rd March 2020

Report on the Audit of the Financial Statements

Opinion

In our opinion, RiverStone Insurance (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31st December 2019; the Profit and Loss Account, Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

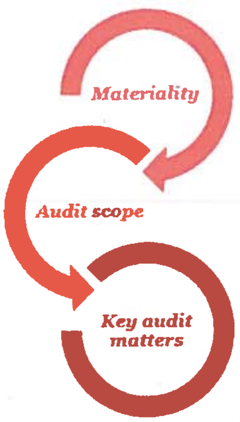
Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the company in the period from 1st January 2019 to 31st December 2019.

Our Audit Approach

Overview



- Overall materiality: £13.2 million (2018: £14.8 million), based on 1% of total assets
- The company is a single business within the wider Fairfax Financial Holdings Limited Group
- There is a single finance function for the company, which has operations in London, Brighton, Ipswich and Darlington. We have visited London, Brighton and Ipswich as part of our audit. As a single business there are no group scoping considerations.
- Valuation of claims outstanding.

The Scope of our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the Audit in Detecting Irregularities, including Fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of insurance regulations, such as those issued by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to reduce expenditure and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of general insurance contract liabilities. Audit procedures performed by the engagement team and/or other auditors included:

- Discussions with management, internal audit, management involved in the Risk and Compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the company's whistleblowing helpline and the results of management's investigation of such matters;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and;
- Independently re-projected certain high risk reserves classes, and considered the differences between actuarial and booked reserves for indication of possible management bias; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of claim payments, expenses and independent re-projection of classes due to changes in the structure of entity.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of claims outstanding The valuation of the Incurred But Not Reported ("IBNR") loss reserves component of claims outstanding is the most material estimate in the financial statements and their valuation involves a significant degree of judgment. The assumptions and methodologies applied by management are therefore an area of focus for us as any errors or bias could lead to material misstatement. Areas of focus are: • The use of appropriate reserving methodologies and assumptions and the consistency of their application from year to year; • The consideration by management of alternative assumptions and inherent bias when developing an estimate; • Prior year development and the appropriateness of prior year estimates; • The degree of caution in IBNR estimates in relation to areas of uncertainty; and • The timing of changes to IBNR estimates. Claims outstanding are included in notes 5, 6 and 16 to the financial statements.	Our scoping for the current year took into consideration any changes arising which the business has gone through in 2019. In order to challenge management's assumptions and methodologies, we engaged our actuarial specialist and developed an independent actuarial point estimate for classes of business considered to be higher risk. For these classes we considered the appropriateness of the estimates by considering the sensitivity of the reserves to the key actuarial methods and assumptions used by management. We also considered the development of the historical estimates to assess the settlement pattern for these claims. For other less complex classes, we have tested the methodology and assumptions used in calculating the reserve. For the remaining classes, we examined key ratios and indicators to identify any anomalies and assessed whether there was any audit evidence that was inconsistent with our knowledge of these claims from the independent projections noted above. We have sample tested the underlying claims paid and case estimate balances supporting the testing above, including the tie out and testing of claims data used in actuarial reserving exercise. Based on the work performed we found that the valuation of booked reserves were supported by the evidence we obtained.

How we Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£13.2 million (2018: £14.8 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	We assess in the context of the company's total assets given the run-off nature of company's operations.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £664,000 (2018: £736,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions Relating to Going Concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31st December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this Report

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.

Other Required Reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 4th May 1988 to audit the financial statements for the year ended 31st December 1988 and subsequent financial periods. The period of total uninterrupted engagement is 32 years, covering the years ended 31st December 1988 to 31st December 2019.

Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6th March 2020

RiverStone Insurance (UK) Limited (Company No. 1167327)
Profit and Loss Account
For the year ended 31st December 2019

	Note	2019 £'000	2018 £'000
Technical Account – General Business			
Earned premiums, net of reinsurance			
Gross premiums written		152	44,641
Outward reinsurance premiums		(137)	(245,021)
Net premiums written and earned		**15**	**(200,380)**
Gross claims paid		(114,668)	(50,805)
Reinsurers' share		45,072	37,515
Net claims paid		(69,596)	(13,290)
Change in the gross provision for claims		162,021	72,019
Reinsurers' share		(70,145)	179,537
Change in the net provision for claims		91,876	251,556
Claims incurred, net of reinsurance		**22,280**	**238,266**
Net operating expenses	8	(19,693)	(30,546)
Total technical charges, net of reinsurance		**2,587**	**207,720**
Balance on the technical account for general business		**2,602**	**7,340**
Non-Technical Account			
Investment income	10	21,847	19,388
Realised gains on investments	10	12,946	9,362
Unrealised gains on investments		54,042	3,129
Unrealised losses on investments		(26,435)	(45,015)
Other income	11	1,374	133,400
Other charges		(1,480)	-
Foreign exchange (losses) gains		(15,405)	12,595
Investment expenses and charges	12	(2,831)	(1,460)
Gains (losses) on derivative contracts	15	6,565	(20,322)
Profit before tax		**53,225**	**118,417**
Tax on profit	13	(7,703)	3,013
Profit for the financial year		**£ 45,522**	**£ 121,430**

The results above are all derived from continuing operations.

RiverStone Insurance (UK) Limited (Company No. 1167327)
Statement of Comprehensive Income
For the year ended 31st December 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		45,522	121,430
Movement on other reserves		503	-
Foreign exchange gains		-	15,162
Re-measurements of net defined benefit obligation		-	104
Total tax charge on components of other comprehensive income	13	(717)	(18)
Total comprehensive income for the year		**£ 45,308**	**£ 136,678**

RiverStone Insurance (UK) Limited (Company No. 1167327)
Balance Sheet
As at 31st December 2019

	Note	2019 £'000	2018 Restated £'000
Assets			
Fixed Assets			
Investments in subsidiary undertakings	14	**11**	**11**
Investments			
Other financial investments	15	**766,315**	**800,220**
Reinsurers' share of technical provisions			
Claims outstanding	6,16	**311,323**	**386,190**
Debtors			
Debtors arising out of direct insurance operations	17	760	1,254
Debtors arising out of reinsurance operations	18	81,855	95,689
Other debtors	19	105,988	109,681
		188,603	**206,624**
Other assets			
Cash at bank and in hand		60,549	77,014
		60,549	**77,014**
Prepayments and accrued income			
Accrued interest and rent		1,596	2,122
Total assets before pension asset		1,328,397	1,472,181
Pension asset	3	-	8,575
Total assets after pension asset		**£ 1,328,397**	**£ 1,480,756**
Capital, Reserves and Liabilities			
Capital and reserves			
Called up share capital	20	210,442	210,442
Other reserves		(1,861)	2,399
Profit and loss account		342,052	292,484
Total shareholders' funds		**550,633**	**505,325**
Technical provisions			
Claims outstanding	6	**731,858**	**910,323**
Provisions for other risks			
Deferred taxation	23	**-**	**1,458**
Creditors: Amounts falling due within one year			
Creditors arising out of reinsurance operations	21	38,181	52,876
Derivative financial instruments	15	385	322
Other creditors including tax and social security	22	7,340	10,452
		45,906	**63,650**
Total capital, reserves and liabilities after pension liability		**£ 1,328,397**	**£ 1,480,756**

The financial statements on pages 16 to 46 were approved by the Board of Directors on 3rd March 2020 and were signed on its behalf by:

L. R. Tanzer
Managing Director

A. R. Creed
Finance Director

RiverStone Insurance (UK) Limited (Company No. 1167327)
Statement of Changes in Equity
For the year ended 31st December 2019

	Called Up Share Capital	Other Reserves	Profit and Loss Account	Total Share-holders' Funds
	£'000	£'000	£'000	£'000
Balance at 1st January 2019	210,442	2,399	292,484	505,325
Profit for the financial year	-	-	45,522	45,522
Other comprehensive income (expense) for the year	-	(4,260)	4,046	(214)
Total comprehensive income (expense) for the year	-	(4,260)	49,568	45,308
Balance at 31st December 2019	£ **210,442**	£ **(1,861)**	£ **342,052**	£ **550,633**

	Called Up Share Capital Restated £'000	Other Reserves Restated £'000	Profit and Loss Account Restated £'000	Total Share-holders' Funds Restated £'000
Balance at 1st January 2018	81,904	33,925	162,818	278,647
Profit for the financial year	-	-	121,430	121,430
Effect of change in accounting policy	38,538	(38,538)	-	-
Other comprehensive income for the year	-	7,012	8,236	15,248
Total comprehensive income for the year	38,538	(31,526)	129,666	136,678
New share capital issued	90,000	-	-	90,000
Balance at 31st December 2018	£ **210,442**	£ **2,399**	£ **292,484**	£ **505,325**

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, East Sussex, United Kingdom, 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.

(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 further below.

As noted below in 3(b) and 3(m), RiverStone Insurance (UK) changed its accounting policies in 2019 with respect to the translation of non-functional currency share capital and the defined benefit pension scheme.

(b) Change in accounting policy

Following the change in functional currency from US Dollars to Pound Sterling effective 1st October 2018, all assets and liabilities were retranslated from US Dollars to Pound Sterling at the rate prevailing at the time of the change in functional currency. In the absence of any specific guidance in FRS 102, RiverStone Insurance (UK) followed its accounting policy and kept the Share Capital at the historic rate (at the time when Share Capital was issued).

Effective 1st January 2019, RiverStone Insurance (UK) adopted a change in its accounting policy and it now retranslates non-functional currency Share Capital using the exchange rate prevailing at the date of change in functional currency, establishing a new historic cost. This change brings the foreign exchange treatment of the non-functional Share Capital into line with the accounting policy adopted by all other entities within the RiverStone Holdings Limited group and is therefore considered to provide more relevant information. This change in accounting policy is applied retrospectively and the 2018 balance sheet has been restated to reflect this change. The impact of the change on the 2018 finance statements is shown in the table below:

	Called Up Share Capital £'000	Other Reserves £'000	Profit and Loss Account £'000	Total Share-holders' Funds £'000
Balance at 31st December 2018	171,904	38,051	295,370	505,325
Other comprehensive income	38,538	(35,652)	(2,886)	-
Restated balance at 31st December 2018	**£ 210,442**	**£ 2,399**	**£ 292,484**	**£ 505,325**

As RiverStone Insurance (UK)'s functional currency change took place in 2018, there is no impact of this change on periods prior to 2018.

(c) 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.

(d) 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.

iii) 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.

(e) 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.

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 which manages the day to day operations of RiverStone Insurance (UK).

(f) Translation of Foreign Currencies

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

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each year 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 year.

RiverStone Insurance (UK) Limited changed its functional and presentational currency from USD to GBP in September 2018. As detailed above, RiverStone Insurance (UK) has adopted a change in accounting policy in 2019 which is applied retrospectively; non-functional currency Share Capital is now translated to GBP at the prevailing rate at the date of change in functional currency and a new historic cost is established at this time.

(g) Tax

Tax expense for the year 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 year 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) Tax Rate Changes

The tax rate for the current year is 19%. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1st April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Legislation amending the Finance Bill 2016 to reverse proposed reductions to the UK corporation tax rate from 19% to 17% are anticipated to be enacted in March 2020.

iii) Deferred Tax

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 year 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

(h) Investment in Subsidiary Undertakings

Unlisted investments in subsidiary undertakings are recorded at cost.

(i) 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.

ii) 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, 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 year in which they arise.

iii) 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 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly

(iii) Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

(j) 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 year. 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.

(k) Derivative Financial Instruments

Derivative financial instruments comprise foreign currency forward contracts and equity index and US government bond total return swaps. 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 prices, discounted cash flow models, risk models and option pricing models as appropriate.

(l) 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 year.

(m) 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. Effective 1st January 2019, RiverStone Holdings adopted a change in accounting policy in respect of the group's defined benefit pension scheme. This change followed an internal group reorganisation which has resulted in a change in the entities with employees who are members of the scheme and a change in the financial policy for recharging pension costs between these entities. As a consequence, this change in accounting policy has been applied prospectively. Simultaneous to this change, the defined benefit pension scheme is no longer accounted for in RiverStone Insurance (UK) and was transferred to RiverStone Holdings for book value net of an associated deferred tax liability on 1st January 2019.

(n) 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 year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

UK and US Disease Related and US Environmental Pollution Claims

RiverStone Insurance (UK) establishes case reserves for reported disease 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 disease related and environmental pollution claims and claim expenses. These exposures do not lend themselves to traditional methods of loss reserve estimation. Reserving for disease 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.

In respect of US claims, 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. In other cases, there are US claims similar to UK claims, which differ from others in that it is often not clear that an insurable loss has occurred, which policy years apply, and which insurers may be liable.

RiverStone Insurance (UK) expects disease 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.

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, or which have been legally transferred to it, 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 materially 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 affiliated reinsurers.

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 (UK) 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 basis 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 future claims amounts and claims numbers (IBNR). The most material IBNR liabilities and uncertainties for RiverStone Insurance (UK) relate to its portfolio of UK disease claims, particularly arising from mesothelioma and other asbestos-related disease exposures. UK disease claims are very long-tailed in nature with over 30 years of uncertain future cashflows expected. The underlying sensitivity of the IBNR in respect of UK disease claims is driven by the uncertainty in the average cost per claim assumption and the future number of claims. A key assumption for the future average cost per claim is the estimate of future claims inflation which is inherently uncertain.

iv) Claims Development Tables

The following tables present the comparison of actual claims incurred to previous estimates for the last 9 years.

RiverStone Insurance (UK) did not write any business in 2013, 2016, 2017 or 2019 and therefore these columns are not presented in the below tables.

Claims Outstanding (Gross)

Underwriting Year	**2011 £'000**	**2012 £'000**	**2014 £'000**	**2015 £'000**	**2018 £'000**	**Total £'000**
Estimate of cumulative gross claims						
At the end of the first year	-	263,134	40,445	58,459	44,816	406,854
- One year later	406,594	259,928	41,327	56,237	44,756	808,842
- Two years later	379,740	237,873	38,889	57,055	-	713,568
- Three years later	399,708	233,874	43,869	59,231	-	736,681
- Four years later	398,604	222,315	38,296	59,944	-	719,159
- Five years later	401,520	214,588	35,671	-	-	651,780
- Six years later	389,043	245,786	-	-	-	634,829
- Seven years later	391,010	255,279	-	-	-	646,289
- Eight years later	401,911	-	-	-	-	401,911
- Nine years later	-	-	-	-	-	-
Current estimate of cumulative claims	401,911	255,279	35,671	59,944	44,756	797,562
Cumulative payments to date	(380,527)	(202,431)	(23,391)	(23,196)	(17,169)	(646,714)
Liability recognised in the balance sheet	**£ 21,384**	**£ 52,848**	**£ 12,280**	**£ 36,749**	**£ 27,587**	**£ 150,848**
Reserve in respect of prior years						581,011
Total reserve included in balance sheet						**£ 731,859**

Claims Outstanding (Net)

Underwriting Year	**2011 £'000**	**2012 £'000**	**2014 £'000**	**2015 £'000**	**2018 £'000**	**Total £'000**
Estimate of cumulative gross claims						
At the end of the first year	-	195,287	-	-	29,459	301,940
- One year later	378,712	189,197	-	-	29,712	597,622
- Two years later	290,328	188,571	-	-	-	478,898
- Three years later	306,449	184,414	-	-	-	490,863
- Four years later	279,387	177,601	-	-	-	456,988
- Five years later	245,934	172,574	-	-	-	418,508
- Six years later	240,895	205,254	-	-	-	446,149
- Seven years later	241,992	213,222	-	-	-	455,214
- Eight years later	247,776	-	-	-	-	247,776
- Nine years later	-	-	-	-	-	-
Current estimate of cumulative claims	247,776	213,222	-	-	29,712	490,710
Cumulative payments to date	(229,781)	(163,931)	-	-	(9,067)	(402,779)
Liability recognised in the balance sheet	**£ 17,995**	**£ 49,291**	**£ -**	**£ -**	**£ 20,645**	**£ 87,931**
Reserve in respect of prior years						333,981
Total reserve included in balance sheet						**£ 421,912**

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:

	2019		2018	
	Gross £'000	**Net £'000**	**Gross £'000**	**Net £'000**
UK Mesothelioma	275,740	133,051	326,088	159,708
Non-UK Mesothelioma	73,320	35,734	101,276	58,269
Italian Medical Malpractice	68,193	56,151	78,252	59,481
European Motor/ Third Party Liability	50,346	45,591	59,440	54,134
Deafness	26,894	12,762	44,933	20,379
Professional Indemnity/Financial Institutions	25,763	13,314	41,418	21,896
Casualty Treaty	32,978	129	35,306	-
Asbestos structured settlements	33,624	25,135	29,799	20,969
Employers' and Public Liability	23,496	10,981	29,091	11,699
Pollution	24,003	18,618	14,557	10,182
WTC	4,425	4,425	6,674	6,674
All other loss reserves	77,978	56,298	122,287	86,817
Claims expense reserve	15,098	8,346	21,202	13,925
Total technical provisions	**£ 731,858**	**£ 420,535**	**£ 910,323**	**£ 524,133**

(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 2019 is an approximate £4.0 million loss (2018: £6 million loss) to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate £4.2 million gain (2018: £6.2 million gain) 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 2019 represent 78.4% 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 £11.0 million (2018: £7.8 million).

iii) Currency Risk

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

At 31st December 2019, if the Euro had weakened by 10% more than the actual 2019 movement against the Pound Sterling with all other variables held constant, profit for the year would have been £139,000 higher (2018: £6,000 lower), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets and Pound Sterling denominated liabilities, after forward currency contracts are taken into account.

At 31st December 2019, if the US Dollar had weakened by 10% more than the actual 2019 movement against the Pound Sterling with all other variables held constant, profit for the year would have been £925,000 higher (2018: £1.8 million lower), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets, and Pound Sterling denominated liabilities, after forward currency contracts are taken into account.

(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
- counterparty risk with respect to derivative transactions; and
- 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 order to mitigate RiverStone Insurance (UK)'s credit risk exposure. This collateral is in the form of security accounts, deposits and 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):

	2019 £'000	2018 £'000
Derivative financial instruments	9,315	3,282
Debt securities	476,736	588,831
Assets arising from reinsurance contracts held	393,179	481,879
Cash at bank and in hand	60,549	77,014
Affiliated loan receivable	101,068	105,127
Total assets bearing credit risk	**£ 1,040,847**	**£ 1,256,133**

	2019 £'000	2018 £'000
A++	114,270	220,484
A+	23,553	48,701
A, A-	450,649	450,325
B++ and below or not rated	452,375	536,623
Total assets bearing credit risk	**£ 1,040,847**	**£ 1,256,133**

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

	2019 £'000	2018 £'000
Performing	391,057	481,264
Past due	2,122	615
Impaired	2,227	2,295
Provision for irrecoverable amounts	(2,227)	(2,295)
Total	£ **393,179**	£ **481,879**

(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 a combination of operational cashflow forecasting and 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 31st December 2019							
Financial liabilities under investment contracts	-	385	-	-	-	-	385
Creditors	-	29,627	3,269	2,645	5,483	4,540	45,564
	-	**30,012**	**3,269**	**2,645**	**5,483**	**4,540**	**45,949**
Claims outstanding	-	41,961	41,961	61,336	130,851	455,749	731,858
Financial liabilities and outstanding claims	£ **-**	£ **71,973**	£ **45,230**	£ **63,981**	£ **136,334**	£ **460,289**	£ **777,807**

	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 31st December 2018							
Financial liabilities under investment contracts	-	322	-	-	-	-	322
Creditors	-	20,151	4,255	4,508	6,301	29,571	64,786
	-	**20,472**	**4,255**	**4,508**	**6,301**	**29,571**	**65,108**
Claims outstanding	-	54,728	54,728	78,910	171,576	550,381	910,323
Financial liabilities and outstanding claims	£ **-**	£ **75,200**	£ **58,983**	£ **83,418**	£ **177,877**	£ **579,952**	£ **975,431**

(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 satisfy the requirements of its policyholders, regulators and other stakeholders;
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- 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 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 and also self-assessed risk-based capital determined under EU Directive. RiverStone Insurance (UK) has complied with all of its capital requirements throughout the year.

At the end of the year, RiverStone Insurance (UK) held Solvency II available own funds capital of £470.8 million (2018: £419.7 million).

6. Reconciliation of Technical Provisions

A reconciliation of the changes to RiverStone Insurance (UK)'s gross, ceded and net loss reserves from 1st January 2019 to 31st December 2019:

	Gross £'000	Ceded £'000	Net £'000
Amounts at 1st January 2019	910,323	386,190	524,133
Amounts paid during the year	(114,669)	(45,072)	(69,597)
Change in estimate of reserves	(47,153)	(25,072)	(22,081)
Technical balances write off	(200)	-	(200)
Foreign exchange	(16,443)	(4,723)	(11,720)
Amounts at 31st December 2019	**£ 731,858**	**£ 311,323**	**£ 420,535**

7. Analysis of Gross Business

	Gross premiums written 2019 £'000	Gross premiums earned 2019 £'000	Gross claims incurred 2019 £'000	Gross operating expenses 2019 £'000	Re-insurance balance 2019 £'000
Direct Insurance					
Motor	-	-	388	(210)	(398)
Marine, aviation and transport	-	-	(141)	(77)	(293)
Fire and other damage to property	-	-	165	(89)	107
Third-party liability	-	-	16,209	(8,777)	(16,423)
Miscellaneous	-	-	(197)	(107)	(607)
	-	-	16,424	(9,260)	(17,614)
Reinsurance acceptances	152	152	30,928	(17,217)	(1,282)
Total	£ **152**	£ **152**	£ **47,352**	£ **(26,477)**	£ **(18,896)**

	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2018 £'000
Direct Insurance					
Motor	-	-	(354)	(187)	524
Marine, aviation and transport	-	-	64	(34)	438
Fire and other damage to property	-	-	(589)	(310)	(16)
Third-party liability	-	-	(18,508)	(9,747)	(36,881)
Miscellaneous	-	-	(366)	(193)	(577)
	-	-	(19,754)	(10,470)	(36,511)
Reinsurance acceptances	44,641	44,641	40,968	(21,574)	10,040
Total	£ **44,641**	£ **44,641**	£ **21,214**	£ **(32,044)**	£ **(26,471)**

8. Net Operating Expenses

	2019 £'000	2018 £'000
Administrative expenses	20,636	13,849
Commissions payable	(943)	16,697
	£ **19,693**	£ **30,546**

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.

	2019 £'000	2018 £'000
Aggregate emoluments	£ 690	£ 710

Retirement benefits are accruing to three directors (2018: four) under a defined benefit pension scheme.

During the year one former director and no active directors exercised share options (2018: one).

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

	2019 £'000	2018 £'000
Aggregate emoluments	£ 292	£ 308

As at 31st December 2019 a pension of £66,000 per annum (2018: £60,900) was accrued under a defined benefit pension scheme for the highest paid Director.

9. Auditors' Remuneration

	2019 £'000	2018 £'000
Audit	544	618
Audit related assurance services	-	-
Other non-audit services	-	28
	£ 544	£ 646

10. Investment Return

	2019 £'000	2018 £'000
Investment income		
Income from available for sale financial assets	127	180
Income from financial assets at fair value through profit and loss – designated upon initial recognition	7,926	10,601
Deposit interest	195	66
Income from treasury bills	5,602	1,547
Interest from affiliated company	8,468	7,499
Expense ceded under reinsurance contract	(471)	(505)
	£ 21,847	£ 19,388

Realised gains on investments

	2019 £'000	2018 £'000
Financial assets at fair value through profit and loss:		
Held for trading	11,666	9,362
Available for sale financial assets	1,280	-
	£ 12,946	£ 9,362

11. Other Income

		2019 £'000		2018 £'000
Waiving of amount owed to parent undertaking		-		133,400
Income earned on provision of Funds at Lloyd's capital to group undertaking		1,374		-
	£	**1,374**	£	**133,400**

12. Investment Expenses and Charges

		2019 £'000		2018 £'000
Investment Expenses	£	**2,831**	£	**1,460**

13. Tax

(a) Tax on Profit

		2019 £'000		2018 £'000
Current tax				
UK corporation tax at 19% (2018: 19%) based on the profit for the year		10,052		(4,411)
Group relief claimed for nil consideration		-		-
Withholding tax		410		1,036
Prior year adjustment		(562)		(118)
Total current tax charge/(Credit)		9,900		(3,493)
Deferred tax				
Origination and reversal of timing differences		(2,197)		480
Total current tax charge/(credit)	£	**7,703**	£	**(3,013)**

(b) Tax expense included in Other Comprehensive Income

		2019 £'000		2018 £'000
Deferred tax				
Origination and reversal of timing differences	£	**717**	£	**18**

(c) 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 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	£ 53,225	£ 118,417
Profit before tax multiplied by the UK corporate tax rate of 19% (2018: 19%)	10,113	22,499
Non-taxable dividend income	(763)	(1,318)
Expenses not deductible for tax purposes	605	207
Intercompany write off not taxable	-	(25,346)
Available for sale investment movements	33	48
Tax effect of rate changes	-	(56)
Withholding tax	410	1,036
Tax on overseas earnings	64	35
Unwind of defined benefit pension scheme	(2,197)	
Group relief claimed for nil consideration	-	-
Prior year adjustment	(562)	(118)
Total tax charge/credit for the year	£ 7,703	£ (3,013)

Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6th September 2016). These include reductions to the main rate to reduce the rate to 17% from 1st April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Legislation amending the Finance Bill 2016 to reverse proposed reductions to the UK corporation tax rate from 19% to 17% are anticipated to be enacted in March 2020.

14. Investment in Subsidiary Undertakings

RiverStone Insurance (UK) directly owns all of the ordinary issued share capital of RiverStone Luxembourg S.à.r.l., which is valued at cost.

	Cost 2019 £'000	Cost 2018 £'000	Shareholders' Equity at 31 Dec 2018 £'000	Profit And Loss £'000	Shareholders' Equity at 31 Dec 2019 £'000
RiverStone Luxembourg S.à.r.l Dormant	£ 11	£ 11	£ (9)	£ (9)	£ (18)

RiverStone Luxembourg S.à.r.l was incorporated on 14th June 2016. Its registered address is 20 Rue Eugene Ruppert, L-2453 Luxembourg.

15. Other Financial Investments

(a) Other Financial Investments by Category

	Market Value 2019 £'000	Market Value 2018 £'000	Historic Cost 2019 £'000	Historic Cost 2018 £'000
Financial Assets – at fair value through profit and loss				
Shares and other variable-yield securities and units in unit trusts - designated at fair value through profit and loss on initial recognition	280,264	208,107	294,195	239,628
Debt securities and other fixed interest securities designated at fair value through profit and loss on initial recognition	476,716	583,530	486,897	579,688
Derivative financial instruments - at fair value through profit and loss, held for trading	9,315	3,282	75	75
	£ 766,295	**£ 794,919**	**£ 781,167**	**£ 819,391**
Available for sale				
Equity shares	-	-	-	-
Debt securities and other fixed income securities	20	5,301	1	6,343
	20	**5,301**	**1**	**6,343**
	£ 766,315	**£ 800,220**	**£ 781,168**	**£ 825,734**

	Market Value 2019 £'000	Market Value 2018 £'000	Historic Cost 2019 £'000	Historic Cost 2018 £'000
Financial Liabilities				
Derivative financial instruments - at fair value through profit and loss, held for trading	£ 385	£ 322	£ -	£ -

(b) Listed Investments

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

	2019 £'000	2018 £'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	226,483	371,949
Equity shares	219,848	156,532
Available for sale	**446,331**	**528,481**
Debt securities and other fixed-income securities	20	5,301
Total listed investments	**£ 446,351**	**£ 533,782**

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

	Market Value 2019 £'000	Market Value 2018 £'000	Historic Cost 2019 £'000	Historic Cost 2018 £'000
Derivative financial instruments assets				
Foreign currency forward contracts	9,261	3,165	-	-
Inflation linked swap contracts	54	117	75	75
	£ 9,315	£ 3,282	£ 75	£ 75
Derivative financial instruments liabilities				
Foreign currency forward contracts	385	322	-	-
Short forward – Government bonds	-	-	-	-
	£ 385	£ 322	£ -	£ -

The functional currency of RiverStone Insurance (UK) is Pound Sterling and consequently is exposed to foreign exchange movements in currencies other than Pound Sterling. RiverStone Insurance (UK) has foreign currency forward contracts in place to provide protection against the impact of potential adverse fluctuations in exchange rates on RiverStone Insurance (UK's) net asset positions.

The foreign currency forward contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for USD: GBP.

	Market Value		Contract/Notional Amount	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Foreign currency contracts	£ 8,876	£ 2,843	£ 514,218	£ 462,019

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

	Level 1 2019 £'000	Level 2 2019 £'000	Level 3 2019 £'000	Total 2019 £'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	250,233	211,194	15,289	476,716
Equity shares	167,431	82,514	30,319	280,264
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	9,315	9,315
Available for sale				
Debt securities and other fixed-income securities	-	20	-	20
Total	£ 417,664	£ 293,728	£ 54,923	£ 766,315

	Level 1 2018 £'000	Level 2 2018 £'000	Level 3 2018 £'000	Total 2018 £'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	207,704	359,403	16,423	583,530
Equity shares	122,659	59,675	25,773	208,107
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	3,282	3,282
Available for sale				
Debt securities and other fixed-income securities	-	5,301	-	5,301
Total	£ 330,363	£ 424,379	£ 45,478	£ 800,220

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).

(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 2019 £'000	Equity Shares 2019 £'000	Derivatives 2019 £'000	Equity Shares 2019 £'000	Total 2019 £'000
At 1 January	16,423	25,773	3,282	-	45,478
Total gains (losses) recognised in the profit and loss account	(1,134)	2,908	6,033	-	7,807
Purchases	-	2,023	-	-	2,023
Sales	-	(385)	-	-	(385)
Restatement of Available for Sale to Fair Value through Profit & Loss	-	-	-	-	-
Total	£ 15,289	£ 30,319	£ 9,315	£ -	£ 54,923

	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2018 £'000
At 1 January	-	3,513	339	42	3,894
Total gains (losses) recognised in the profit and loss account	(6,271)	(2,183)	2,866	-	(5,588)
Purchases	22,694	24,569	77	-	47,340
Sales	-	(168)	-	-	(168)
Restatement of Available for Sale to Fair Value through Profit & Loss	-	42	-	(42)	-
Total	£ 16,423	£ 25,773	£ 3,282	£ -	£ 45,478

Total gains of £7.8 million (2018: losses of £5.6 million) comprise realised gains of £nil (2018: nil) and unrealised gains of £7.8 million (2018: losses of £5.6 million) 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 were no transfers from Level 2 to Level 3 during the year (2018: transfer between Level 2 to 3, with a market value of £Nil).

There were no transfers between Level 3 and Level 1, or between Levels 1 and 2 during the year.

(g) Collateralised Investments

RiverStone Insurance (UK) has outstanding letters of credit, guarantees and deposits of £141,009,567 (2018: £158,388,438) issued in favour of cedants and certain other creditors collateralised by investments and cash with a market value of £143,195,527 and cost of £130,079,790 (2018: market value £154,798,859 and a cost of £153,587,455).

16. Reinsurers' Share of Technical Provisions – Claims Outstanding

Included within reinsurer's share of technical provisions – claims outstanding are amounts recoverable from a number of affiliated companies of £267.7 million (2018: £326.3 million) in respect of quota share reinsurance contracts.

17. Debtors Arising Out of Direct Insurance Operations

	2019 £'000	2018 £'000
Amounts owed by intermediaries	£ 760	£ 1,254

18. Debtors Arising Out of Reinsurance Operations

	2019 £'000	2018 £'000
Amounts owed by reinsurers and intermediaries	39,083	58,935
Amounts owed by group undertakings	42,772	36,753
	£ 81,855	£ 95,689

19. Other Debtors

	2019 £'000	2018 £'000
Amounts owed by group undertakings	101,068	105,127
Tax	4,918	4,552
Other debtors	2	2
	£ 105,988	£ 109,681

20. Called up Share Capital

		2019		2018
Allotted				
90,000,010 (2018: 90,000,010) Ordinary Shares of £1 - fully paid	£	90,0000,10	£	90,000,010
10 (2018: 10) 'A' Ordinary Shares of £1 - fully paid	£	10	£	10
(2018: 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 Pound Sterling Shares.

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

		2019 £'000		2018 Restated £'000
90,000,010 (2018: 10) Ordinary Shares of £1 - fully paid		90,000		90,000
10 (2018: 10) 'A' Ordinary Shares of £1 - fully paid		-		-
157,062,215 (2018: 157,062,215) Ordinary Shares of £1 - fully paid		120,442		120,442
	£	210,442	£	210,442

21. Creditors Arising Out of Reinsurance Operations

		2019 £'000		2018 £'000
Balances owed to cedants and intermediaries		26,777		26,272
Amounts owed to group undertaking		11,404		26,604
	£	38,181	£	52,876

22. Other Creditors Including Tax and Social Security

		2019 £'000		2018 £'000
Tax		2,778		-
Other Creditors		4,562		10,452
	£	7,340	£	10,452

23. Deferred Taxation

		2019 £'000		2018 £'000
Liability/(asset) at 1st January 2019		(1,458)		72
Transferred from RiverStone Insurance		-		(1,032)
Derecognition of liability relating to Pension Asset		1,458		-
Recognition of future timing differences		-		(498)
(Liability) asset at 31st December 2019	£	-	£	**(1,458)**

The deferred tax provision comprises the timing difference in respect of the net amount recorded on the balance sheet for the defined benefit pension scheme and is based on a future tax rate of 17% (2018: 17%). As set out above in Note 3, the defined benefit pension scheme asset was transferred to RiverStone Holdings at book value net of the associated deferred tax liability on 1st January 2019, following a change in accounting policy of RiverStone Management.

RiverStone Insurance (UK) has no unused tax losses or unused tax credits.

24. 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 million.

25. Related Party Transactions and Immediate 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.

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

26. Subsequent Events

On 20th December 2019, Fairfax entered into an agreement to sell a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System (''OMERS''), the pension plan manager for government employees in the province of Ontario. The European Run-off group includes RiverStone Holdings and its subsidiaries. Upon completion of the transaction, OMERS and Fairfax will have joint control of the European Run-off group. Accordingly, Fairfax will deconsolidate the European Run-off group from its Run-off reporting segment and apply the equity method of accounting for its remaining equity interest. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2020.

Effective 31st January 2020, following sanction by the High Court, a portfolio of liabilities primarily comprising asbestos, pollution and health exposures attaching to policies issued by a Japanese (re)insurer were transferred into RiverStone Insurance (UK) by way of a Part VII transfer. Under this transfer, net liabilities of £102.4 million were transferred to RiverStone Insurance (UK).