

COMPANY NO. 03655017

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

RiverStone Corporate Capital Limited

2017 Annual Report

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RiverStone Corporate Capital Limited (Company No. 03655017)
Annual Report
For the year ended 31st December 2017

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RiverStone Corporate Capital Limited (Company No. 03655017)
Directors and Administration
For the year ended 31st December 2017

Directors

N. C. Bentley
L. A. Hemsley
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

Independent Auditors

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

Website

www.trg.com

RiverStone Corporate Capital Limited (Company No. 03655017)

Strategic Report

For the year ended 31st December 2017

The Directors have pleasure in presenting the Strategic Report of RiverStone Corporate Capital Limited ("RiverStone Corporate Capital") for the year ended 31st December 2017.

Ownership

RiverStone Corporate Capital 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, which is registered in Canada and listed on the Toronto Stock Exchange. The registered office of Fairfax Financial Holdings Limited is 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada M5J 2N7.

Principal Activity

The principal activity of RiverStone Corporate Capital is that of providing capital support to certain run-off years of account in syndicates at Lloyd's.

RiverStone Corporate Capital is the sole corporate member for Syndicate 3500. Syndicate 3500 was established in 2003 to reinsure to close the 2000 and prior years of account of Syndicates 271 and 506 and the subsequent reinsurance to close in 2005 of the 2001 year of account of Syndicate 506. Syndicate 3500 has unlimited protection for adverse loss, loss expense and uncollectible reinsurance reserve development (including reimbursement of operating costs and foreign currency fluctuations) of the liabilities related to Syndicates 271 and 506 through reinsurance protection agreements with another subsidiary of RiverStone Holdings, RiverStone Insurance (UK) Limited ("RiverStone Insurance (UK)").

Effective 1st January 2011, the 2005 year of account of Syndicate 3500 was closed into a new 2011 year of account.

Effective 1st January 2011, Syndicate 3500 accepted the reinsurance to close of the liabilities of Syndicate 376, a runoff syndicate with underwriting years of 2001 and prior. Also effective 1st January 2011, Syndicate 3500 entered into a reinsurance protection agreement with RiverStone Insurance (UK) to reinsure 50% of the liabilities that were transferred from Syndicate 376.

Effective 1st January 2012, the following transactions occurred resulting in the transfer of additional liabilities into a new 2012 year of account of Syndicate 3500.

Syndicate 3500 accepted the reinsurance to close of the liabilities of Syndicate 2112, a runoff syndicate with underwriting years of 2009, 2008 and 2007. Syndicate 2112 had unlimited protection for all of its liabilities from RiverStone Insurance (UK).

Syndicate 3500 accepted the reinsurance to close of the liabilities of Syndicate 3330, a runoff syndicate with underwriting years of 2002 and prior.

Syndicate 3500 entered into a transaction to accept the novation of the contracts under which the 1999, 2000 and 2001 years of Syndicate 535 and the 1997, 1998 and 1999 years of Syndicate 1204 were previously closed into Centrewrite Limited.

Also effective 1st January 2012, Syndicate 3500 entered into reinsurance protection agreements with RiverStone Insurance (UK) to reinsure all of the liabilities that were transferred from Syndicates 3330, 535 and 1204, and to increase the reinsurance of liabilities related to Syndicate 376 from 50% to 100%. As a result of these transactions, with effect from 1st January 2012 all of Syndicate 3500's liabilities became fully reinsured by RiverStone Insurance (UK).

RiverStone Corporate Capital Limited (Company No. 03655017)

Strategic Report

For the year ended 31st December 2017

In addition to its participation in Syndicate 3500, RiverStone Corporate Capital participated in the 1999 years of account of Syndicate 529 and Syndicate 1093, respectively.

The 1999 year of account of Syndicate 1093 was closed during 2003 through a reinsurance to close contract under which Liberty Syndicate 282 assumed the run-off liabilities of Syndicate 1093 as at 31st December 2003.

The 1999 underwriting year of Syndicate 529 was closed in 2010.

Business Review

Results and Performance

The results for the year set out in the profit and loss account show a loss for the financial year of £5,000 (2016: nil). Total shareholders' funds are £45,000 (2016: £50,000).

In December 2017, a settlement agreement was signed in respect of the one remaining action associated with the terrorist attacks on the World Trade Centre ("WTC") in the United States of America on 11 September 2001. As a result of this settlement, Syndicate 3500 reduced its gross and net loss reserves (prior to its reinsurance protection from RiverStone Insurance (UK)) by £55 million and £21 million respectively. Additionally, net reinstatement premium receivable was reduced by £2 million, to result in an overall net impact of £19 million. All of this is ceded to RiverStone Insurance (UK).

Before taking into account the reinsurance protection agreement with RiverStone Insurance (UK), the aggregate gross and net (after deduction of reinsurance from unrelated third party reinsurers) reserves of Syndicate 3500 as at 31st December 2017 amounted to £42.8 million (2016: £109 million) and £12 million (2016: £55 million), respectively.

The capital support for Syndicate 3500 is provided by RiverStone Insurance (UK). RiverStone Managing Agency Limited ("RiverStone Managing Agency") is the managing agent for Syndicate 3500. RiverStone Holdings is the parent company of RiverStone Corporate Capital, RiverStone Managing Agency and RiverStone Insurance (UK).

Performance Measurements

RiverStone Managing Agency has made continued progress throughout 2017 in relation to key elements of its strategy. RiverStone Corporate Capital monitors the progress of Syndicate 3500 by particular reference to the reduction in gross loss reserves and reduction in reinsurance recoverables, in a timely and economic manner. Syndicate 3500's reserves have reduced significantly during the year. This is primarily due to the agreed settlement of the World Trade Centre Properties claim in December 2017. Gross loss reserves decreased by 61% and third party reinsurance recoverables (excluding group reinsurance protection from RiverStone Insurance (UK)) decreased by 80%. The Board regards this performance as satisfactory.

Strategy and Future Developments

RiverStone Corporate Capital's strategy for Syndicate 3500 is to continue to actively pursue run-off acquisition opportunities for Syndicate 3500 through reinsurance to close or retroactive reinsurance transactions, along with the efficient and economic management of all existing liabilities. In the event that further transactions do not materialise in the future, and depending on the level of uncertainty surrounding the remaining reserves, the Board will develop a strategy for the closure of Syndicate 3500 by way of a reinsurance to close of the remaining liabilities.

RiverStone Corporate Capital Limited (Company No. 03655017)
Strategic Report
For the year ended 31st December 2017

No capacity was established for Syndicate 3500's 2017 year of account (2016: nil). At the end of 2017, the 2015 year of account was reinsured to close into the 2018 year of account and a capacity of £3 million was established for 2018.

Principal Risks and Uncertainties

The key risks to which RiverStone Corporate Capital is exposed relate to its participation in Syndicate 3500. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies related to Syndicate 3500 are subject to approval by the board of directors of Syndicate 3500's managing agent, RiverStone Managing Agency, and ongoing review by management and executive committees. Compliance with regulatory, legal and ethical standards is a high priority for RiverStone Corporate Capital. The compliance and finance departments of RiverStone Management Limited, to whom RiverStone Managing Agency outsources its day to day activities, take on an important oversight role in this regard. The RiverStone Holdings Group Risk Committee is responsible for satisfying itself and the board of directors of RiverStone Managing Agency that a proper internal control framework exists to manage financial and all other risks and that controls operate effectively.

The risks that Syndicate 3500 is exposed to and their impact on economic capital have been assessed. This process is risk based and uses Solvency II based principles to manage capital requirements and to ensure that there is sufficient financial strength and capital adequacy to support the obligations to policyholders, regulators and other stakeholders.

The principal risk to Syndicate 3500 is the failure of RiverStone Insurance (UK), as the main reinsurer. The board of directors of RiverStone Managing Agency monitors this risk carefully and on a regular basis. The contract with RiverStone Insurance (UK) indemnifies Syndicate 3500 against all losses, including those arising from the failure of third party reinsurers and loss of any other asset. Although protected by RiverStone Insurance (UK) under the reinsurance protection agreement, Syndicate 3500 is managed on a standalone basis, as if this contract was not in place.

By Order of the Board



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

F Henry
Company Secretary
6th March 2018

RiverStone Corporate Capital Limited (Company No. 03655017)

Directors' Report

For the year ended 31st December 2017

The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Corporate Capital Limited (Company No. 03655017) ("RiverStone Corporate Capital" or "the Company") for the year ended 31st December 2017.

Directors

Directors holding office from the period from 1st January 2017 to the date of this report were:

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

RiverStone Corporate Capital 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 Corporate Capital are discussed in the Strategic Report.

Dividends

RiverStone Corporate Capital paid no interim dividends during the year (2016: nil). The Directors do not recommend the payment of a final dividend (2016: nil).

Financial Instruments

As described in Note 5 to the financial statements, RiverStone Corporate Capital is exposed to financial risk through the financial assets and liabilities held by the Syndicate 3500, including its 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 insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity risk and currency risk), credit risk and liquidity risk.

RiverStone Corporate Capital and Syndicate 3500 manage this risk within their overall risk management framework. A hedging strategy is not operated as all of Syndicate 3500's risks are protected under its reinsurance arrangements with RiverStone Insurance (UK).

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

RiverStone Corporate Capital Limited (Company No. 03655017)
Directors' Report
For the year ended 31st December 2017

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
6th March 2018

RiverStone Corporate Capital Limited (Company No. 03655017)
Independent Auditors' Report to the Members of RiverStone Corporate Capital Limited
For the year ended 31st December 2017

Report on the Audit of the Financial Statements

Opinion

In our opinion, RiverStone Corporate Capital Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss 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 31 December 2017; the Profit and Loss Account for the year then ended, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which 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.

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.

RiverStone Corporate Capital Limited (Company No. 03655017)
Independent Auditors' Report to the Members of RiverStone Corporate Capital Limited
For the year ended 31st December 2017

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 31 December 2017 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 Directors' Responsibilities Statement set out on page 7, 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

RiverStone Corporate Capital Limited (Company No. 03655017)
Independent Auditors' Report to the Members of RiverStone Corporate Capital Limited
For the year ended 31st December 2017

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.



Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6th March 2018

RiverStone Corporate Capital Limited (Company No. 03655017)
Profit and Loss Account
For the year ended 31st December 2017

	Note	2017 £'000	2016 £'000
Technical Account – General Business			
Gross premiums written and earned	6	(2,354)	(153)
Outward reinsurance premiums		<u>2,354</u>	<u>153</u>
Written and earned premiums net of reinsurance		<u>-</u>	<u>-</u>
Gross claims paid	8	(6,312)	(5,908)
Reinsurers' share	8	<u>2,693</u>	<u>5,043</u>
Net paid claims		<u>(3,619)</u>	<u>(865)</u>
Change in the gross provision for claims		60,341	10,264
Reinsurers' share		<u>(60,341)</u>	<u>(10,264)</u>
Change in the net provision for claims		<u>-</u>	<u>-</u>
Claims incurred, net of reinsurance		(3,619)	(865)
Net operating expenses	6, 9	<u>(5)</u>	<u>-</u>
Total technical charges, net of reinsurance		<u>(3,624)</u>	<u>(865)</u>
Balance on the technical account for general business		(3,624)	(865)
Non-Technical Account			
Investment income	10	543	1,291
Unrealised gains on investments		2,281	1,793
Realised losses on investments		(190)	(558)
Investment expenses and charges	11	(156)	(161)
Foreign exchange gain (loss)	12	<u>1,141</u>	<u>(1,500)</u>
Loss before tax		(5)	-
Tax on loss	13	<u>-</u>	<u>-</u>
Loss for the financial year		£ <u>(5)</u>	£ <u>-</u>

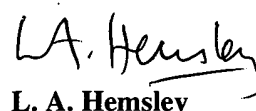
RiverStone Corporate Capital has no recognised gains or losses other than those included in the Profit and Loss Account above and therefore no Statement of Other Comprehensive Income has been presented.

RiverStone Corporate Capital Limited (Company No. 03655017)**Balance Sheet****As at 31st December 2017**

	Note	2017 £'000	2016 £'000
Assets			
Investments			
Other financial investments	14	41,292	42,417
Reinsurers' share of technical provisions			
Claims outstanding	8	42,799	109,074
Debtors			
Debtors arising out of direct insurance operations	15	274	666
Debtors arising out of reinsurance operations	16	2,132	7,758
Other debtors	17	200	202
		2,606	8,626
Other assets			
Cash at bank and in hand		6,102	12,083
Overseas deposits		1,377	1,395
		7,479	13,478
Prepayments and accrued income			
Accrued interest and rent		<u>4</u>	<u>135</u>
Total assets		£ 94,180	£ 173,730
Capital, Reserves and Liabilities			
Capital and reserves			
Called up share capital	18	50	50
Profit and loss account		(5)	-
Total shareholders' funds		45	50
Technical provisions			
Claims outstanding	8	42,799	109,074
Creditors: Amounts falling due within one year			
Creditors arising out of reinsurance operations	19	50,421	63,827
Other creditors including tax and social security	20	915	633
		51,336	64,460
Accruals and deferred income		<u>-</u>	<u>146</u>
Total capital, reserves and liabilities		£ 94,180	£ 173,730

The financial statements on pages 12 to 33 were approved by the Board of Directors on 6th March 2018 and were signed on its behalf by:


L. R. Tanzer
Managing Director


L. A. Hemsley
Finance Director

RiverStone Corporate Capital Limited (Company No. 03655017)
Statement of Changes in Equity
For the year ended 31st December 2017

	Called up Share Capital £'000	Profit and Loss Account £'000	Total Shareholders' Funds £'000
Balance at 1st January 2016	50	-	50
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31st December 2016	£ 50	£ -	£ 50
Balance at 1st January 2017	50	-	50
Loss for the financial year	-	(5)	(5)
Total comprehensive income for the year	-	(5)	(5)
Balance at 31st December 2017	£ 50	£ (5)	£ 45

RiverStone Corporate Capital Limited (Company No. 03655017)

Notes to the Financial Statements

For the year ended 31st December 2017

1. General Information

RiverStone Corporate Capital Limited (“RiverStone Corporate Capital” or “the Company”) RiverStone Corporate Capital is the sole corporate member for Syndicate 3500. As described further in Note 7, Syndicate 3500 was established in 2003 and since that time has accepted a number of reinsurance to close and other transfers of run-off liabilities. All of Syndicate 3500’s liabilities are reinsured by RiverStone Insurance (UK) Limited (“RiverStone Insurance (UK)”). Syndicate 3500 is managed by RiverStone Managing Agency Limited (“the Managing Agent”)

RiverStone Corporate Capital 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 Corporate Capital 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 and Technical Release 1/99 (Accounting for Lloyd’s Corporate Capital Vehicles).

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.

Restatement reclassification of comparatives

Certain comparative amounts have been adjusted to conform to changes in accounting policies and presentation in the current year.

(b) Going Concern

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

(c) Exemptions for Qualifying Entities under FRS102

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

RiverStone Corporate Capital Limited (Company No. 03655017)
Notes to the Financial Statements
For the year ended 31st December 2017

RiverStone Corporate Capital 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 Corporate Capital'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 FRS 102, Section 33.1A. This exemption is available for RiverStone Corporate Capital as consolidated financial statements are publicly available for Fairfax.

(d) Basis of Accounting

The technical result has been determined by recognising RiverStone Corporate Capital's proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates. For each syndicate, RiverStone Corporate Capital's proportion of underwriting transactions, investment return and operating expenses has been reflected within RiverStone Corporate Capital's profit and loss account and balance sheet, using an annual basis of accounting.

The proportion referred to above is calculated by reference to RiverStone Corporate Capital's participation as a percentage of the syndicates' total capacity.

(e) Insurance Contracts

- i) Premiums, stated on a written basis as notified by the syndicates, are gross of acquisition costs. Premiums relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to RiverStone Corporate Capital. Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. Outwards reinsurance premiums relating to the protection of business written in prior underwriting years are fully earned on the date of inception.
- ii) External reinsurance to close premiums received and paid are reflected as a component of gross premiums written or outwards reinsurance premium as appropriate.
- iii) Gross claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims notified by the syndicates, together with provisions for claims incurred but not reported and any other adjustments to claims from previous years.
- iv) Losses and related reinsurance recoveries are estimated by RiverStone Corporate Capital by reference to the ultimate result based upon the latest information available from the syndicates at the time of completing the financial statements. Provisions are estimated on a syndicate-by-syndicate basis. Provision is made at year-end for the estimated cost of claims and related reinsurance recoveries incurred but not settled at the balance sheet date, including the cost of claims and related reinsurance recoveries incurred but not yet reported to RiverStone Corporate Capital. RiverStone Corporate Capital takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions and the related reinsurance recoveries, it is likely that the final outcome will prove to be different to the original liability established.

RiverStone Corporate Capital Limited (Company No. 03655017)
Notes to the Financial Statements
For the year ended 31st December 2017

(f) Translation of Foreign Currencies

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

(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) Deferred Tax

Deferred tax assets and liabilities are established for differences between amounts reported in the financial statements and amounts reported in RiverStone Corporate Capital'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 Return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the 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.

RiverStone Corporate Capital Limited (Company No. 03655017)
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(i) Other Financial Investments

RiverStone Corporate Capital has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of the financial statements.

RiverStone Corporate Capital classifies all of its investments as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

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

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

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

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

RiverStone Corporate Capital 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) Related Party Transactions

RiverStone Corporate Capital 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.

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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 Corporate Capital makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimation of the ultimate liability arising from claims made under insurance contracts is RiverStone Corporate Capital's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that RiverStone Corporate Capital will ultimately pay for such claims. Some of these claims are not expected to be settled for several years and there is uncertainty as to the amounts at which they will be settled. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law.

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.

Claims Relating to Terrorist Attacks of 11th September 2001

Syndicate 3500 has exposure to insured losses incurred in the terrorist attacks in the United States of America on 11th September 2001. Syndicate 3500 was a first-tier reinsurer of American Airlines and a direct insurer of losses related to property and contingency coverage. Syndicate 3500 also has assumed reserves for excess of loss reinsurances of other insurers and reinsurers. These claims are fully reinsured with unaffiliated reinsurers and with an affiliated company under a reinsurance contract.

In December 2017, the direct claim brought by World Trade Centre Properties LLC ("WTCP") against American Airlines, United Airlines and the airlines' security contractors (Globe and Huntleigh) ("the Aviation Defendants") was settled by agreement, for \$97 million for 100% of Aviation Defendants' interests. Our prior reserves had been based on a market reserve of \$865 million.

The settlement of WTC aviation losses is now inherently certain within the loss settlement noted above and the majority of the claim payments and reinsurance recoveries will be concluded in 2018.

At 31st December 2017, before consideration of reinsurance from Syndicate 3500's affiliated reinsurer, the remaining reserves of Syndicate 3500 in connection with the events of 11th September are estimated to be £13.8 million gross and £8.3 million net. Of these amounts, £10.2 million gross and £5.6 million net relate to aviation losses and the remainder is in respect of non-aviation losses.

5. Management of Insurance and Financial Risk

Financial Risk Management Objectives

RiverStone Corporate Capital is exposed to insurance risk through the insurance contracts that it has written and to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund

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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 Corporate Capital 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 of directors of the Managing Agent 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 Corporate Capital faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits arising from insurance contracts will vary from year to year from the level established using statistical techniques.

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

RiverStone Corporate Capital mitigates insurance risk through the 100% reinsurance between Syndicate 3500 and affiliate reinsurer, RiverStone Insurance (UK).

i) Process for Assessment of Technical Provisions

RiverStone Corporate Capital 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 view of the board of directors of the Managing Agent 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. This is estimated based on known facts at the balance sheet date. The provision is revised as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

RiverStone Corporate Capital uses assumptions based on a mixture of internal and market data to measure its claims liabilities. This information is used to project the ultimate 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.

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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.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. RiverStone Corporate Capital takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for insurance contracts comprises a provision for claims incurred but not yet reported and a provision for reported claims not yet paid. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims that have already been notified, for which there is more information available.

iii) Key Assumptions and Sensitivities

The assumptions that have the greatest impact on technical provisions are those that affect the expected level of claims. The insurance risk profile of RiverStone Corporate Capital on a gross basis is dominated by its exposure to the remaining claims in respect of the terrorist attacks in the USA on 11 September 2001. The settlement agreement reached in December 2017, means that uncertainty over these technical provisions is now reduced.

A segment of the portfolio is exposed to liability business in several markets, this segment carries potential exposure to substantial claims with an extended reporting tail.

Since Syndicate 3500 is fully reinsured with affiliate company RiverStone Insurance (UK), the net uncertainty is minimal.

iv) Claims Development Tables

The following table presents the comparison of actual gross claims incurred to previous estimates. No net table is produced as all of RiverStone Corporate Capital's business is fully reinsured.

Claims Outstanding (gross)

Underwriting Year	2008 £'000	2009 £'000	Total £'000
At end of reporting year	-	-	-
- One year later	-	-	-
- Two years later	-	-	-
- Three years later	-	682	682
- Four years later	2,835	653	3,488
- Five years later	3,164	268	3,432
- Six years later	4,326	1,333	5,659
- Seven years later	4,565	1,933	6,498
- Eight years later	5,021	1,185	6,206
- Nine years later	4,360	-	4,360
- Ten years later	-	-	-
Current estimate of cumulative claims	5,255	846	6,101
Cumulative payments to date	(4,071)	(429)	(4,500)
Liability recognised in the balance sheet	£ 1,184	£ 417	£ 1,601
Reserve in respect of prior years			41,198
Total reserve included in balance sheet			£ 42,799

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The last original underwriting year for Syndicate 3500 business is 2009 and therefore only columns for 2009 and prior years are presented in the above table.

iv) 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:

	2017		2016	
	Gross £'000	Net £'000	Gross £'000	Net £'000
WTC aviation	13,630	-	74,534	-
Banco de la Republica	7,988	-	8,726	-
Aviation	1,961	-	3,452	-
Professional Indemnity	1,567	-	2,685	-
All other loss reserves	17,493	-	19,339	-
Claims expense reserve	160	-	338	-
Total technical provisions	£ 42,799	£ -	£ 109,074	£ -

(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 Corporate Capital 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 Corporate Capital, 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 Corporate Capital's investments held at 31st December 2017 is an approximate £200,000 loss (2016: £1.6 million) to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate £200,000 gain (2016: £1.8 million) to the profit and loss account, prior to cessions to RiverStone Insurance (UK).

RiverStone Corporate Capital mitigates interest rate risk through the 100% reinsurance between Syndicate 3500 and affiliate reinsurer, RiverStone Insurance (UK).

ii) Equity Price Risk

RiverStone Corporate Capital 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.

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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 Corporate Capital 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 Corporate Capital price risk arising from its investments in equity securities.

Listed equity securities held at 31st December 2017 represent 69.4% of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all Syndicate 3500's equity investments moved according to the historical correlation with the index there would be a gain of £600,000 (2016: £500,000) to the profit and loss account prior to the cessions to RiverStone Insurance (UK).

RiverStone Corporate Capital mitigates interest rate risk through the 100% reinsurance between Syndicate 3500 and affiliate reinsurer, RiverStone Insurance (UK).

iii) Currency Risk

RiverStone Corporate Capital manages its foreign exchange risk against its functional currency, which is the Pound Sterling. RiverStone Corporate Capital 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 Corporate Capital 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 2017, if the Pound had weakened by 10% more in 2017 against the US Dollar with all other variables held constant, profit for the year would have been £147,000 higher (2016: £1.4 million higher), prior to cessions to RiverStone Insurance (UK) mainly as a result of net foreign exchange gains on the translation of US Dollar denominated financial assets, and US Dollar denominated liabilities.

RiverStone Corporate Capital mitigates currency risk through the 100% reinsurance between Syndicate 3500 and affiliate reinsurer, RiverStone Insurance (UK).

(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 Corporate Capital 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.

RiverStone Corporate Capital's primary credit risk exposure is to RiverStone Insurance (UK) through Syndicate 3500's 100% reinsurance arrangement. RiverStone Corporate Capital reduces its exposure to the credit risk of RiverStone Insurance (UK) through the operation of the majority of the reinsurance arrangement on a funds withheld basis. Additionally, the board of directors of the Managing Agent the reviews the financial position of RiverStone Insurance (UK) on at least a quarterly basis.

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As RiverStone Corporate Capital is in runoff, its exposures to other reinsurers and insurance intermediaries are determined by contracts previously written. RiverStone Corporate Capital 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 Corporate Capital's policy to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage. In certain circumstances, collateral is held in the form of either deposits or letters of credit from reinsurers.

RiverStone Corporate Capital reduces its exposure to credit risk in relation to investments by entering into transactions with counterparties that are reputable and by settling trades through recognised exchanges. RiverStone Corporate Capital maintains strict control limits on the maximum notional amount of derivative positions.

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

	2017 £'000	2016 £'000
Debt securities	24,642	26,497
Deposits with credit institutions	706	738
Assets arising from reinsurance contracts held	44,089	112,700
Premium receivable	1,116	4,133
Cash at bank and in hand	6,102	12,083
Overseas deposits	1,377	1,395
Total assets bearing credit risk	£ 78,032	£ 157,546

	2017 £'000	2016 £'000
A++	23,192	10,907
A+	5,385	28,625
A, A-	1,763	30,230
B++ and below or not rated (including affiliated assets)	47,692	87,784
Total assets bearing credit risk	£ 78,032	£ 157,546

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

	2017 £'000	2016 £'000
Performing	44,234	107,035
Past due	30	2,755
Impaired	-	2,994
Provision for irrecoverable amounts	(175)	(84)
	£ 44,089	£ 112,700

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(d) Liquidity Risk

The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board of directors of the Managing Agent 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 Corporate Capital's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented in their expected cash flows.

	No Contractual Maturity Date £'000	< 6 months or on demand £'000	Between 6 months and 1 year £'000	Between 1 year and 2 years £'000	Between 2 years and 5 years £'000	> 5 Years £'000	Carrying Value £'000
At 31 December 2017							
Creditors	-	50,397	177	128	403	231	51,336
Claims outstanding	-	6,799	6,799	4,920	15,470	8,811	42,799
Financial liabilities and outstanding claims	£ -	£ 57,196	£ 6,976	£ 5,048	£ 15,873	£ 9,042	£ 94,135
At 31 December 2016							
Creditors	-	61,989	1,662	150	409	250	64,460
Claims outstanding	-	43,861	43,861	3,957	10,802	6,593	109,074
Financial liabilities and outstanding claims	£ -	£ 105,850	£ 45,523	£ 4,107	£ 11,211	£ 6,843	£ 173,534

(e) Capital Management

RiverStone Corporate Capital 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 Corporate Capital's objectives in managing its capital are:

- to satisfy the requirements of its policyholders and regulators
- 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 Corporate Capital 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 Corporate Capital manages as capital all items that are eligible to be treated as capital for regulatory purposes. RiverStone Corporate Capital is regulated by the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's 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 Corporate Capital manages capital in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. RiverStone Corporate Capital manages its own regulatory capital by reference to both minimum capital requirements and also self-assessed risk-based capital based on EU Directive. RiverStone Corporate Capital has complied with all of its capital requirements throughout the year.

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6. Segmental Information

	Gross premiums written 2017 £'000	Gross premiums earned 2017 £'000	Gross claims incurred 2017 £'000	Gross operating expenses 2017 £'000	Re- insurance balance 2017 £'000
Direct Insurance					
Accident and health	-	-	(10)	1	9
Motor	-	-	(14)	1	14
Marine, aviation and transport	-	-	426	(22)	(415)
Credit and surety	-	-	-	-	-
Fire and other damage to property	10	10	(2)	-	(8)
Third party liability	4	4	(3,127)	161	3,039
	14	14	(2,727)	141	2,639
Reinsurance acceptances	(2,368)	(2,368)	56,756	(2,922)	(55,157)
Total	£ (2,354)	£ (2,354)	£ 54,029	£ (2,781)	£ (52,518)
	2016 £'000	2016 £'000	2016 £'000	2016 £'000	2016 £'000
Direct Insurance					
Accident and health	-	-	31	(22)	(26)
Motor	-	-	(2)	1	2
Marine, aviation and transport	(2)	(2)	385	(273)	(319)
Credit and surety	-	-	20	(14)	(16)
Fire and other damage to property	-	-	59	(42)	(49)
Third party liability	(15)	(15)	433	(307)	(347)
	(17)	(17)	926	(657)	(755)
Reinsurance acceptances	(136)	(136)	3,430	(2,433)	(1,223)
Total	£ (153)	£ (153)	£ 4,356	£ (3,090)	£ (1,978)

7. Syndicates

Syndicate 3500

RiverStone Corporate Capital is the sole corporate member for Syndicate 3500. Syndicate 3500 was established in 2003 to reinsure to close the 2000 and prior years of account of Syndicates 271 and 506 and the subsequent reinsurance to close in 2005 of the 2001 year of account of Syndicate 506. Syndicate 3500 has also accepted the reinsurance to close of Syndicate 376 (in 2011), Syndicate 2112 (in 2012), Syndicate 3330 (in 2012) and, in 2012, the novation of the contracts under which the 2001 and prior years of Syndicate 535 and the 1999 and prior years of Syndicate 1204 were previously closed into Centrewrite Limited.

Syndicate 3500 has unlimited protection for adverse loss, loss expense and uncollectible reinsurance reserve development (including reimbursement of operating costs and foreign currency fluctuations) of the all of its liabilities through reinsurance protection agreements with another subsidiary of RiverStone Holdings, RiverStone Insurance (UK).

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Before taking into account the reinsurance protection agreement with RiverStone Insurance (UK), the aggregate gross and net (after deduction of reinsurance from unrelated third party reinsurers) reserves of Syndicate 3500 as at 31st December 2017 amounted to £42.8 million (2016: £109 million) and £12 million (2016: £55 million), respectively. No capacity was established for Syndicate 3500's 2017 year of account (2016: nil).

The underlying business of Syndicate 3500 includes aviation passenger liability and non-marine property and casualty exposures. Syndicate 3500 has passenger liability, property and contingency exposure to the terrorist attacks in the United States of America on 11th September, 2001.

8. Technical Provisions – Claims Outstanding

The change in the provisions for claims outstanding during the year was as follows:

	2017			2016		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	£'000	Share	£'000	£'000	Share	£'000
		£'000			£'000	
Claims outstanding at 1 January	109,074	109,074	-	101,514	101,514	-
Change in estimates of technical provisions, including foreign exchange	(59,963)	(63,582)	3,619	13,468	12,603	865
Paid claims	(6,312)	(2,693)	(3,619)	(5,908)	(5,043)	(865)
Claims outstanding at 31 December	£ 42,799	£ 42,799	£ -	£ 109,074	£ 109,074	£ -

The table above refers to RiverStone Corporate Capital's 100% share of Syndicate 3500.

Included within reinsurers' share of technical provisions - claims outstanding are amounts recoverable from an affiliated company of £32,150,758 (2016: £55,379,322).

9. Net Operating Expenses

	2017	2016
	£'000	£'000
Administrative expenses	£ 5	£ -

RiverStone Corporate Capital has no employees.

No emoluments were paid by RiverStone Corporate Capital to any Directors or other key management personnel during the year (2016: nil). The emoluments of the Directors and other key management personnel are paid by an associated company, RiverStone Management Limited. The services of the Directors and other key management personnel to RiverStone Corporate Capital are incidental and their emoluments are deemed to be wholly attributable to their services to other group companies. Accordingly, no disclosure of emoluments has been made in these financial statements.

The audit fee in respect of RiverStone Corporate Capital has been borne by an associated company, RiverStone Management Limited. The amounts incurred in respect of audit services in relation to RiverStone Corporate Capital are as follows:

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	2017 £'000	2016 £'000
Audit	125	122
Audit related assurance services	<u>31</u>	<u>32</u>
	£ <u>156</u>	£ <u>154</u>
10. Investment Income		
	2017 £'000	2016 £'000
Income from financial assets at fair value through profit and loss	£ <u>543</u>	£ <u>1,291</u>
11. Investment Expenses and Charges		
	2017 £'000	2016 £'000
Investment management expenses	£ <u>156</u>	£ <u>161</u>
12. Loss before Tax		
	2017 £'000	2016 £'000
The loss before tax is stated after charging (crediting):		
Foreign exchange (gain) loss	£ <u>(1,141)</u>	£ <u>1,500</u>
13. Tax on Loss		
	2017 £'000	2016 £'000
(a) Current Tax		
UK corporation tax at 19.25% (2016: 20%) based on the loss for the year	(1)	-
Group relief surrendered for nil consideration	<u>1</u>	<u>-</u>
	£ <u>-</u>	£ <u>-</u>

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(b) 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 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Loss before tax	£ <u>(5)</u>	£ <u>-</u>
Loss before tax multiplied by the UK corporation tax rate of 19.25% (2016: 20%)	(1)	-
Group relief surrendered for nil consideration	<u>1</u>	<u>-</u>
Total tax charge for the year	£ <u>-</u>	£ <u>-</u>

(c) Tax rate changes

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1st April 2017. 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.

14. Other Financial Investments

(a) Other Financial Investments by Category

	Market Value 2017 £'000	Market Value 2016 £'000	Historic Cost 2017 £'000	Historic Cost 2016 £'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	15,944	15,182	12,270	13,433
Debt securities and other fixed interest securities designated at fair value through profit and loss on initial recognition	24,642	26,497	24,375	23,770
Deposits with credit institutions	<u>706</u>	<u>738</u>	<u>706</u>	<u>738</u>
	£ <u>41,292</u>	£ <u>42,417</u>	£ <u>37,351</u>	£ <u>37,941</u>

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(b) Listed Investments

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

	2017 £'000	2016 £'000
At fair value through profit and loss		
Shares and other variable yield securities and units in unit trusts	11,066	9,347
Debt securities and other fixed interest securities	2,024	17,404
Total listed investments	£ 13,090	£ 26,751

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

	Level 1 2017 £'000	Level 2 2017 £'000	Level 3 2017 £'000	Total 2017 £'000
Shares and other variable yield securities and units in unit trusts	-	11,066	4,878	15,944
Debt securities and other fixed interest securities	22,618	2,024	-	24,642
Deposits with credit institutions	706	-	-	706
	£ 23,324	£ 13,090	£ 4,878	£ 41,292
	Level 1 2016 £'000	Level 2 2016 £'000	Level 3 2016 £'000	Total 2016 £'000
Shares and other variable yield securities and units in unit trusts	-	9,348	5,834	15,182
Debt securities and other fixed interest securities	9,093	17,404	-	26,497
Deposits with credit institutions	738	-	-	738
	£ 9,831	£ 26,752	£ 5,834	£ 42,417

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

(d) Level 3 Pricing

Level 3 valuation techniques are used by RiverStone Corporate Capital'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. Syndicate S3500'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

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pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk free rate).

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

	At Fair Value Through Profit and Loss			Available for Sale		Total
	Debt Securities	Equity Shares	Derivatives	Debt Securities	Equity Shares	
	2017	2017	2017	2017	2017	
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	-	5,834	-	-	-	5,834
Total losses recognised in the profit and loss account	-	(956)	-	-	-	(956)
Total	£ -	£ 4,878	£ -	£ -	£ -	£ 4,878

	At Fair Value Through Profit and Loss			Available for Sale		Total
	Debt Securities	Equity Shares	Derivatives	Debt Securities	Equity Shares	
	2016	2016	2016	2016	2016	
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	-	-	-	-	-	-
Total gains recognised in the profit and loss account	-	493	-	-	-	493
Purchases	-	5,341	-	-	-	5,341
Total	£ -	£ 5,834	£ -	£ -	£ -	£ 5,834

Total losses of £956,000 (2016: gains of £493,000) comprise unrealised gains of £956,000 on Level 3 financial investments held during the year, all of which are presented in the net investment return in the profit and loss account.

(f) Collateralised Cash and Investments

RiverStone Corporate Capital maintains a letter of credit facility in respect of its contractual obligations under which RiverStone Corporate Capital is obliged to collateralise its liabilities. The total amount of collateral provided at 31st December 2017 was £14.8 million (2016: £14 million).

15. Debtors Arising Out of Direct Insurance Operations

	2017 £'000	2016 £'000
Amounts owed from intermediaries	£ 274	£ 666

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16. Debtors Arising Out of Reinsurance Operations

	2017 £'000	2016 £'000
Amounts owed from intermediaries	1,016	3,625
Premiums receivable from cedants	<u>1,116</u>	<u>4,133</u>
	£ <u>2,132</u>	£ <u>7,758</u>

17. Other Debtors

	2017 £'000	2016 £'000
Amounts owed from parent undertaking	£ <u>200</u>	£ <u>202</u>

18. Called up Share Capital

	2017 £'000	2016 £'000
<u>Allotted and fully paid</u> 50,002 (2016: 50,002) Ordinary Shares of £1 each	£ <u>50</u>	£ <u>50</u>

19. Creditors Arising Out of Reinsurance Operations

	2017 £'000	2016 £'000
Amounts owed to group undertakings	48,529	61,269
Amounts owed to intermediaries	<u>1,892</u>	<u>2,558</u>
Amounts owed to group undertakings	£ <u>50,421</u>	£ <u>63,827</u>

20. Other Creditors Including Tax and Social Security

	2017 £'000	2016 £'000
Amounts owed to group undertakings	£ <u>915</u>	£ <u>633</u>

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21. Pledged and Restricted Assets

Funds at Lloyd's to support Syndicate 3500 are provided by RiverStone Insurance (UK). These funds may only be released with the permission of Lloyd's when they exceed the capital required to be maintained by RiverStone Corporate Capital for Lloyd's solvency purposes.

22. Related Party Transactions and Immediate and Ultimate Parent Company

RiverStone Corporate Capital 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 Financial Holdings Limited ("Fairfax") which is registered in Canada and listed on the Toronto Stock Exchange.

Advantage has been taken of the exemption from the requirement to disclose transactions with related parties within the same group as provided by FRS 102, Section 33.1A. This exemption is available for RiverStone Corporate Capital 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.