

COMPANY NO. 3253305

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

RiverStone Managing Agency Limited

2019 Annual Report



RiverStone Managing Agency Limited (Company No. 3253305)
Annual Report
For the year ended 31st December 2019

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RiverStone Managing Agency Limited (Company No. 3253305)
Directors and Administration
For the year ended 31st December 2019

Directors

T. Ambridge (appointed 29th April 2019)
M. J. Bannister
N. C. Bentley
A. R. Creed
L. A. Hemsley (resigned 14th March 2019)
I. Hewitt (appointed 29th April 2019)
T. A. Riddell – Independent Non-Executive Director
K. Shah – Independent Non-Executive Chairman
N. Smith – Independent Non-Executive Director (appointed 14th March 2019)
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 Managing Agency Limited (Company No. 3253305)

Strategic Report

For the year ended 31st December 2019

The Directors have pleasure in presenting the Strategic Report of RiverStone Managing Agency Limited (“RiverStone Managing Agency” or “the Company”) for the year ended 31st December 2019.

Ownership

RiverStone Managing Agency 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 Managing Agency is a Lloyd’s Managing Agent, appointed by RiverStone Corporate Capital Limited (“RiverStone Corporate Capital”) to manage Syndicate 3500 and, with effect from 1st January 2019, by Advent Capital No. 3 Limited (“Advent Capital No. 3”) to manage Syndicate 780. This managing agency contract was novated to RiverStone Managing Agency from Advent Underwriting Limited and followed the decision by Advent Capital (Holdings) Limited during 2018 to transfer the profitable portfolios of Syndicate 780 to other Fairfax UK affiliates and to place the remaining parts of the portfolio into run-off under the management of RiverStone Managing Agency.

RiverStone Corporate Capital is the sole corporate member of Syndicate 3500. Advent Capital No. 3 is the sole corporate member of Syndicate 780.

With effect from 1st January 2019, Funds at Lloyd’s held at both RiverStone Corporate Capital and Advent Capital No. 3 were made inter-available, allowing surplus capital held at Advent Capital No. 3 to be deployed to support ongoing run-off acquisition activity in Syndicate 3500 in accordance with the Board’s strategy. Additional capital supporting Syndicate 3500 is provided by RiverStone Insurance (UK) Limited (“RiverStone Insurance (UK)”) and by way of a third party letter of credit.

Syndicate 3500 was originally formed in 2003 to accept the reinsurance to close of the 2000 and prior years of account of Syndicate 271 and the 2001 and prior years of account of Syndicate 506, respectively.

In 2011, Syndicate 3500 accepted the reinsurance to close of the liabilities of Syndicate 376, a runoff syndicate with underwriting years of 2001 and prior.

In 2012, Syndicate 3500 accepted the reinsurance to close of the liabilities of Syndicate 2112 and Syndicate 3330 (formerly and now referred to as Syndicate 2) and entered into a transaction to accept 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.

The liabilities accepted by Syndicate 3500 in 2012 and prior calendar years are all subject to unlimited protection under reinsurance protection agreements with RiverStone Insurance (UK).

On 30th November 2018, Syndicate 3500 entered into a loss portfolio transfer reinsurance with Syndicate 2987 for certain lines of discontinued business with underwriting years of 2017 and prior. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of £133.8 million. Also effective 30th November 2018, Syndicate 3500 entered into a reinsurance protection agreement with an affiliate to retrocede 50% of these liabilities.

On 20th December 2018, Syndicate 3500 entered into a loss portfolio transfer reinsurance with another Lloyd’s syndicate for certain lines of discontinued business with underwriting years of 2017 and prior. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of £62.7 million. Also effective 20th December 2018, Syndicate 3500 entered into a reinsurance protection agreement with an affiliate to retrocede 50% of these liabilities.

RiverStone Managing Agency Limited (Company No. 3253305)

Strategic Report

For the year ended 31st December 2019

On 1st January 2019, Syndicate 3500 accepted the reinsurance to close of the liabilities of another Lloyd's syndicate with underwriting years of 2016 and prior. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of £552 million and £419 million, respectively. Also, effective 1st January 2019, Syndicate 3500 entered into a reinsurance protection agreement with an affiliate to retrocede 50% of these liabilities.

On 1st April 2019, Syndicate 780 entered into a reinsurance protection agreement with an affiliate, to provide run-off protection to the property direct and facultative, property binder and terrorism classes.

Effective 1st January 2020, Syndicate 3500 accepted the reinsurance to close of the 2017 and prior underwriting years of account liabilities of another Lloyd's syndicate. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of £180.3 million and £116.7 million, respectively. Also effective 1st January 2020, Syndicate 3500 entered into an adverse development cover with an affiliate to provide downside protection over these liabilities.

RiverStone Managing Agency delegates most of its day-to-day management functions under an outsource agreement with RiverStone Management Limited ("RiverStone Management"), a fellow subsidiary of RiverStone Holdings. Provision of services under this agreement is monitored by regular reporting to the Board of directors of RiverStone Managing Agency ("the Board"), which includes analysis of performance against key performance indicators.

Review of Business

Results and Performance

The results for the year set out in the profit and loss account show a result for the financial year of nil (2018: nil). The increase in administrative expenses in 2019 to £20 million (2018: £2.5 million) reflects the additional administrative expenses incurred by RiverStone Managing Agency arising from the management of the additional Syndicate 3500 run-off transactions and Syndicate 780, as described above.

RiverStone Managing Agency recharges all of its net operating costs to the syndicates under its management. RiverStone Managing Agency's affiliate, RiverStone Insurance (UK), has provided a guarantee of up to £1 million in support of RiverStone Managing Agency's solvency. Additionally, RiverStone Managing Agency has received a letter of support from RiverStone Holdings, whereby funds will be made available to RiverStone Managing Agency to ensure liabilities are met as they fall due for payment.

Total shareholders' funds are the same as the prior year at £10,976.

Performance Measurements

RiverStone Managing Agency has 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.

The Board monitors the progress of Syndicate 3500's and Syndicate 780's existing run-off portfolios by reference to the reduction in gross loss reserves and reduction in reinsurance recoverables, in a timely and economic manner. Excluding portfolios acquired during 2019 which are described above, Syndicate 3500 gross loss reserves decreased by 30% and third party reinsurance recoverables (excluding group reinsurance protection) decreased by 33%. Syndicate 780 gross loss reserves decreased by 31% and third party reinsurance recoverables (excluding group reinsurance protection) decreased by 33%. The movements are in line with Board's expectations and the performance is considered to be satisfactory.

RiverStone Managing Agency Limited (Company No. 3253305)

Strategic Report

For the year ended 31st December 2019

Strategy and Future Developments

The Board's strategy for Syndicate 3500 and Syndicate 780 is the efficient and economic management of all existing liabilities. The Board intends to continue to actively pursue run-off acquisition opportunities for Syndicate 3500 through reinsurance to close or retroactive reinsurance transactions.

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 Managing Agency and its immediate parent company RiverStone Holdings. 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.

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 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 Managing Agency. 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.

The principal risks faced by RiverStone Managing Agency arise from its ability to continue to meet the service standards in place with the entities for which it acts.

Section 172(1) of the Companies Act 2006

The Board of directors of RiverStone Managing Agency 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, of which two were approved by the Board in 2019, 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 outsourced 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.

RiverStone Managing Agency Limited (Company No. 3253305)
Strategic Report
For the year ended 31st December 2019

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 regulators, the Prudential Regulation Authority and Lloyd's, 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
2nd March 2020

RiverStone Managing Agency Limited (Company No. 3253305)

Directors' Report

For the year ended 31st December 2019

The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Managing Agency Limited (Company No. 3253305) ("RiverStone Managing Agency") 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 as follows:

T. Ambridge (appointed 29th April 2019)
M. J. Bannister
N. C. Bentley
A. R. Creed
L. A. Hemsley (resigned 14th March 2019)
I. Hewitt (appointed 29th April 2019)
T. A. Riddell – Independent Non-Executive Director
K. Shah – Independent Non-Executive Chairman
N. Smith – Independent Non-Executive Director (appointed 14th March 2019)
L. R. Tanzer

RiverStone Managing Agency 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 Managing Agency are discussed in the Strategic Report.

Dividends

RiverStone Managing Agency paid no interim dividends during the year (2018: nil). The Directors do not recommend a final dividend (2018: nil).

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.

RiverStone Managing Agency Limited (Company No. 3253305)
Directors' Report
For the year ended 31st December 2019

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 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 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.

Directors' Confirmations

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
2nd March 2020

RiverStone Managing Agency Limited (Company No. 3253305)
Independent Auditors' Report to the Members of RiverStone Managing Agency Limited
For the year ended 31st December 2019

Report on the RiverStone Managing Agency Limited Annual Accounts

Opinion

In our opinion, RiverStone Managing Agency 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 result 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 and 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

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

RiverStone Managing Agency Limited (Company No. 3253305)
Independent Auditors' Report to the Members of RiverStone Managing Agency Limited
For the year ended 31st December 2019

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.

RiverStone Managing Agency Limited (Company No. 3253305)
Independent Auditors' Report to the Members of RiverStone Managing Agency Limited
For the year ended 31st December 2019

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.



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

RiverStone Managing Agency Limited (Company No. 3253305)
Profit and Loss Account
For the year ended 31st December 2019

	Note	2019 £	2018 £
Turnover	3	-	-
Administrative expenses	4	(19,986,123)	(2,480,010)
Other operating income		<u>19,986,123</u>	<u>2,480,010</u>
Result before tax		-	-
Tax on result	6	<u>-</u>	<u>-</u>
Result for the financial year		£ -	£ -

The results above are all derived from continuing operations.

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


RiverStone Managing Agency Limited (Company No. 3253305)


Balance Sheet

As at 31st December 2019

	Note	2019 £	2018 £
Assets			
Current assets			
Debtors	7	<u>6,932,976</u>	<u>750,889</u>
Total Assets		£ <u>6,932,976</u>	£ <u>750,889</u>
Capital, Reserves and Liabilities			
Capital and Reserves			
Called up share capital	8	599,138	599,138
Profit and loss account		(588,162)	(588,162)
Total shareholders' funds		10,976	10,976
Creditors: Amounts falling due within one year	9	<u>6,922,000</u>	<u>739,913</u>
Total capital, reserves and liabilities		£ <u>6,932,976</u>	£ <u>750,889</u>

The financial statements on pages 13 to 20 were approved by the Board of Directors on 2nd March 2020 and signed on its behalf by:


L. R. Tanzer
Managing Director


A. R. Creed
Finance Director

RiverStone Managing Agency Limited (Company No. 3253305)
Statement of Changes in Equity
For the year ended 31st December 2019

	Called up Share Capital £	Profit and Loss Account £	Total Shareholders' Funds £
Balance at 1st January 2019	599,138	(588,162)	10,976
Result for the financial year	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31st December 2019	£ 599,138	£ (588,162)	£ 10,976
Balance at 1st January 2018	599,138	(588,162)	10,976
Result for the financial year	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31st December 2018	£ 599,138	£ (588,162)	£ 10,976

RiverStone Managing Agency Limited (Company No. 3253305)

Notes to the Financial Statements

For the year ended 31st December 2019

1. General Information

RiverStone Managing Agency Limited (“RiverStone Managing Agency” or “the Company”) is a Lloyd’s managing agent appointed by RiverStone Corporate Capital Limited to manage Syndicate 3500. Effective 1st January 2019, RiverStone Managing Agency was appointed by Advent Capital No. 3 Limited to manage Syndicate 780. RiverStone Managing Agency 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 Managing Agency have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS102”) and the Companies Act 2006.

3. Summary of Significant Accounting Policies

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

(a) Basis of Preparation

These financial statements are prepared on a going concern basis under the historical cost convention.

(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 Managing Agency’s shareholder.

RiverStone Managing Agency 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 Managing Agency’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 Managing Agency as consolidated financial statements are publicly available for Fairfax.

RiverStone Managing Agency Limited (Company No. 3253305)

Notes to the Financial Statements

For the year ended 31st December 2019

(d) Translation of Foreign Currencies

The financial statements are presented in Pounds Sterling. Items included in RiverStone Managing Agency's financial statements are measured using the currency of the primary economic environment in which it operates. RiverStone Managing Agency'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.

(e) Turnover

Turnover from agency fees represents amounts charged for the year to the capital providers of RiverStone Managing Agency's managed syndicates. There is no turnover in the year as no amounts are currently due to be charged.

(f) Administrative Expenses

Administrative expenses represent costs incurred by RiverStone Managing Agency in the performance of its principal activity, being the management of Syndicate 3500 and Syndicate 780, and are accounted for on an accruals basis.

(g) Other Operating Income

Other operating income represents recharges of administrative expenses to RiverStone Managing Agency's managed syndicates.

(h) 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 – Confirm requirement to disclose potential

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.

RiverStone Managing Agency Limited (Company No. 3253305)
Notes to the Financial Statements
For the year ended 31st December 2019

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 Managing Agency'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.

(i) **Financial Instruments**

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

(j) **Related Party Transactions**

RiverStone Managing Agency 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.

(k) **Critical Accounting Judgements and Estimation Uncertainty**

RiverStone Managing Agency's financial statements do not contain any elements of significant accounting estimates or judgements requiring disclosure.

4. Administrative Expenses

RiverStone Managing Agency has no employees (2018: none). The management and administration of RiverStone Managing Agency is carried out by RiverStone Management Limited ("RiverStone Management"), a fellow subsidiary, which also provides these services to other group companies. Administrative costs and amounts incurred for staff and related costs were wholly recharged to the syndicate under RiverStone Managing Agency's management. Operating expenses recharged by RiverStone Management during the year were £19,986,123 (2018: £2,480,010).

The directors receive no emoluments from RiverStone Managing Agency. The contracts of employment of the U.K. executive directors and employees are with RiverStone Management, which makes charges to RiverStone Managing Agency for services described above. Emoluments paid by RiverStone Management to the directors of RiverStone Managing Agency in respect of their services as directors of RiverStone Managing Agency are summarised below.

	2019		2018
	£		£
Aggregate emoluments	£ 960,000	£	725,000

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During the year the following number of Directors:

	2019 No.	2018 No.
Accrued benefits under money purchase pension schemes	4	1
Accrued benefits under defined benefit pension schemes	3	4

During the year no directors exercised share options (2018: one).

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

	2019 £	2018 £
Aggregate emoluments	£ <u>389,000</u>	£ <u>370,000</u>

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

5. Auditors' Remuneration

	2019 £	2018 £
Audit	£ <u>13,000</u>	£ <u>4,597</u>

6. Tax on Result

	2019 £	2018 £
Current tax		
UK corporation tax at 19% (2018: 19%) based on the result for the year	£ <u>-</u>	£ <u>-</u>

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.

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7. Debtors

	2019	2018
	£	£
Amounts owed by group undertakings	36,492	36,492
Amounts owed by managed syndicates	<u>6,896,484</u>	<u>714,397</u>
	£ <u>6,932,976</u>	£ <u>750,889</u>

8. Called up Share Capital

	2019	2018
	£	£
<u>Allotted and Fully Paid</u>		
599,138 (2018: 599,138) Ordinary Shares of £1	£ <u>599,138</u>	£ <u>599,138</u>

9. Creditors: Amounts Falling Due Within One Year

	2019	2018
	£	£
Amounts owed to group undertakings	£ <u>6,922,000</u>	£ <u>739,913</u>

RiverStone Managing Agency has no creditors which are subject to security arrangements.

10. Related Party Transactions and Immediate and Ultimate Parent Company

RiverStone Managing Agency 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 FRS102, Section 33.1A. This exemption is available for RiverStone Managing Agency 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.