COMPANY NO. 03655017

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

RiverStone Corporate Capital Limited

2019 Annual Report

Contents **Page**

Directors

N. C. Bentley
A. R. Creed (appointed 14th March 2019)
L. A. Hemsley (resigned 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

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

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 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) Limited ("RiverStone Insurance (UK)")

On 27th November 2018, RiverStone Corporate Capital issued 3,300,000 new £1 ordinary shares to RiverStone Holdings for cash which provided additional capital to support the following new transactions:

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 an increase to Syndicate 3500 of gross and net technical provisions of £135.6 million. Also, effective 30th November 2018, Syndicate 3500 entered into a reinsurance protection agreement with an affiliate to retrocede 50% of these liabilities.

On 21st 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 an increase to Syndicate 3500's gross and net technical provisions of £63.8 million. Also, effective 21st December 2018, Syndicate 3500 entered into a reinsurance protection agreement with an affiliate to retrocede 50% of these liabilities.

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 £560 million and £419 million, respectively.

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 profit for the financial year of £6.6 million (2018: profit of £4.9 million).

The balance on the technical account for general business for the year was a profit of £12.0 million (2018: profit of £5.9 million). This comprises net earned premiums of £219.2 million, partially offset by net incurred claims of £134.3 million, allocated investment return of £6.0 million and net operating expenses of £5.5 million.

The total comprehensive income for the financial year of £6.7 million (2018: £4.6 million) comprises net investment losses of £1.3 million (2018: gain of £9,000), foreign exchange losses of £2.0 million (2018: loss of £137,000), the gain on the technical account for general business, less currency translation losses of nil (2018: £301,000).

Total shareholders' funds increased to £79.6 million at 31st December 2019 (2018: £7.9 million) due to the 2019 profit and a share capital issue of £65 million.

Total outstanding claims, gross of reinsurance, were £587 million as at 31st December 2019 (2018: £260 million). Total cash, deposits and investments were £331 million at 31st December 2019 (2018: £103 million). Increases in outstanding claims and cash balances predominantly arise as a result of transactions entered into during 2019.

Performance Measurements

RiverStone Managing Agency Limited ("RiverStone Managing Agency") is the managing agent for Syndicate 3500. 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 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 2018 which are described above, gross loss reserves increased by 30% and third party reinsurance recoverables (excluding group reinsurance protection from RiverStone Insurance (UK)) decreased by 9%. The movements are in line with Board's expectations and the performance is considered to be 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.

With effect from 1st January 2019, RiverStone Corporate Capital has entered into a Funds at Lloyd's inter-availability agreement with Advent Capital No. 3 Limited ("Advent Capital No. 3") allowing surplus capital held at Advent Capital No. 3 to be deployed to support ongoing run-off acquisition activity in Syndicate 3500. RiverStone Corporate Capital will pay Advent Capital No. 3 a fee for use of its capital and has indemnified Advent Capital No. 3 from any loss arising from the use of its excess capital.

To provide additional capital support to the above transaction, on the 7th February, the authorised share capital of RiverStone Corporate Capital was increased to £300,000,000 and on the same day 65,000,000 new £1 ordinary shares were issued to RiverStone Holdings for cash.

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, legal 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 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 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 risks faced by Syndicate 3500 arise from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving and inadequate reinsurance protection (including the credit worthiness of major reinsurers). Syndicate 3500's assets and liabilities are also exposed to market risk, including the impact of changes to interest rates, equity price fluctuations and adverse changes in exchange rates.

Section 172(1) of the Companies Act 2006

The Board of directors of RiverStone Corporate Capital 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 is focussed on ensuring that sufficient capital is available to support Syndicate 3500, the management of which is performed by RiverStone Managing Agency. During the year, the Board of RiverStone Corporate Capital issued share capital to its immediate parent undertaking to support increased capital requirements arising from acquisition activity. Further, the Board of RiverStone Corporate Capital approved the entry into a Letter of Credit Facility with the Bank of Nova Scotia, which is designed to provide flexibility over the long-term capital strategy for the Company.

Employees

The Board acknowledges people are essential to the delivery of our strategy. While the Company has no immediate employees, the Board ensures that the interests of the employees of RiverStone Management, our outsources services provider, are appropriately considered when taking decisions. The Board is aware through its engagement with RiverStone Management, that there exists a well-established structure through which

RiverStone Management supports engagement regularly with its employees. During 2019 this included quarterly staff presentations including a full day off-site at which relevant business speakers presented to our employees. Other activity in 2019 included technology surveys, the initiation of a diversity and inclusion forum and regular training for our employees.

Business Relationships

The Board recognises that relationships with our stakeholders are key to the delivery of our strategy. During 2019, all members of the Board have had the opportunity to meet with representatives of 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, the Group services provider via RiverStone Managing Agency.

Community and Environment

The Board engages via RiverStone Managing Agency actively with RiverStone Management, the Group 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.

Shareholder Engagement

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

By Order of the Board

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

F Henry
Company Secretary
3rd March 2020

The Directors have pleasure in presenting their report and the audited financial statements for RiverStone Corporate Capital (Company No. 03655017) for the year ended 31st December 2019.

Directors

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

N. C. Bentley
A. R. Creed (appointed 14th March 2019)
L. A. Hemsley (resigned 14th March 2019)
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 (2018: nil). The Directors do not recommend the payment of a final dividend (2018: 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.

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 FRS102, 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 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
3rd March 2020

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

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31st December 2019; the Profit and Loss Account, the Statement of Comprehensive Income 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 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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the Financial Statements and the Audit

Responsibilities of the directors for the financial statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Other Required Reporting

Companies Act 2006 exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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

RiverStone Corporate Capital Limited (Company No. 03655017)
Profit and Loss Account
For the year ended 31st December 2019

	Note	2019 £'000	2018 £'000
Technical Account – General Business			
Gross premiums written and earned	6	430,858	206,586
Outward reinsurance premiums		(211,679)	(100,738)
Written and earned premiums net of reinsurance		**219,179**	**105,848**
Gross claims paid	8	(204,711)	(8,101)
Reinsurers' share	8	131,310	8,369
Net paid claims		(73,401)	268
Change in the gross provision for claims		(352,787)	(213,353)
Reinsurers' share		218,521	113,782
Change in the net provision for claims		(134,266)	(99,571)
Claims incurred, net of reinsurance		**(207,667)**	**(99,303)**
Allocated investment return transferred from the non-technical account		6,005	-
Net operating expenses	6, 9	(5,513)	(617)
Total technical charges, net of reinsurance		**(207,175)**	**(99,920)**
Balance on the technical account for general business		**12,004**	**5,928**
Non-Technical Account			
Investment income	10	8,504	531
Unrealised losses on investments		(439)	(1,270)
Unrealised gains on investments		1,530	17
Realised gains on investments		365	835
Other income and expenditure	11	(4,175)	-
Investment expenses and charges	12	(1,121)	(104)
Allocated investment return transferred to the general business technical account		(6,005)	-
Foreign exchange loss	13	(1,994)	(137)
Profit before tax		**8,669**	**5,800**
Tax on profit	14	(2,066)	(942)
Profit for the financial year		£ **6,603**	£ **4,858**

RiverStone Corporate Capital Limited (Company No. 03655017)
Statement of Comprehensive Income
For the year ended 31st December 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		6,603	4,858
Currency translation differences		84	(301)
Total comprehensive income for the year		**£ 6,687**	**£ 4,557**

RiverStone Corporate Capital Limited (Company No. 03655017)
Balance Sheet
As at 31st December 2019

	Note	2019 £'000	2018 £'000
Assets			
Investments			
Other financial investments	15	**261,893**	**94,680**
Reinsurers' share of technical provisions			
Claims outstanding	8	**366,688**	**159,939**
Debtors			
Debtors arising out of direct insurance operations	16	5,937	254
Debtors arising out of reinsurance operations	17	34,245	76,400
Other debtors	18	4,367	194
		44,549	**76,848**
Other assets			
Cash at bank and in hand		38,120	10,811
Overseas deposits		31,161	863
		69,281	**11,674**
Prepayments and accrued income			
Accrued interest and rent		**1,104**	**19**
Total assets		**£ 743,515**	**£ 343,160**
Capital, Reserves and Liabilities			
Capital and reserves			
Called up share capital	19	68,350	3,350
Profit and loss account		11,239	4,552
Total shareholders' funds		**79,589**	**7,902**
Technical provisions			
Claims outstanding	8	**586,971**	**259,790**
Provisions for other risks			
Deferred taxation	23	**3,001**	**942**
Creditors: Amounts falling due within one year			
Creditors arising out of direct insurance operations	20	-	1,077
Creditors arising out of reinsurance operations	21	63,921	72,708
Other creditors including tax and social security	22	10,033	741
		73,954	**74,526**
Total capital, reserves and liabilities		**£ 743,515**	**£ 343,160**

The financial statements on pages 13 to 39 were approved by the Board of Directors on 3rd March 2020 and were signed on its behalf by:

L. R. Tanzer
Managing Director

A. R. Creed
Finance Director

RiverStone Corporate Capital Limited (Company No. 03655017)
Statement of Changes in Equity
For the year ended 31st December 2019

	Called up Share Capital £'000	Profit and Loss Account £'000	Total Shareholders' Funds £'000
Balance at 1st January 2019	3,350	4,552	7,902
Profit for the financial year	-	6,603	6,603
Other comprehensive income for the year	-	84	84
New share capital issued	65,000	-	65,000
Total comprehensive income for the year	-	6,687	6,687
Balance at 31st December 2019	**£ 68,350**	**£ 11,239**	**£ 79,589**
Balance at 1st January 2018	50	(5)	45
Profit for the financial year	-	4,858	4,858
New share capital issued	3,300	-	3,300
Other comprehensive expense for the year	-	(301)	(301)
Total comprehensive income for the year	-	4,557	4,557
Balance at 31st December 2018	**£ 3,350**	**£ 4,552**	**£ 7,902**

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. 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.

(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 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.

(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, apart from Syndicate 3500 which has a functional currency of Pounds Sterling and all exchange differences arising from the translation from functional currency to presentation currency are recognised through the Statement of Comprehensive Income as a separate component of equity.

(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 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.

(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.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account of the investment return on investments supporting the insurance technical provisions and related shareholder's funds.

(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.

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.

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 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 use of reinsurance, both in the form of third party reinsurance associated with the business originally written and reinsurance with affiliated reinsurers.

i) Process for Assessment of Technical Provisions

RiverStone 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.

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 gross and net technical provisions are those that affect the expected level of claims in the liability and professional indemnity classes. The largest sensitivities on these classes are in respect of uncertainties around future numbers and amounts of claims. The reserves for these classes will be paid out over many years. The Syndicate also has exposure to environmental pollution arising from claims on US business. These exposures do not lend themselves to traditional methods of loss reserve estimation. These claims differ from almost all others in that it is often not clear that an insurable loss has occurred, which policy years apply, and the extent to which the insurance policy responds. These exposures are fully reinsured with affiliate company RiverStone Insurance (UK); the net uncertainty from environmental pollution is minimal.

iv) Claims Development Tables

The following table presents the comparison of actual claims incurred to previous estimates for the last 10 years.

On 1st January 2019, Syndicate 3500 accepted the reinsurance to close of the liabilities of another Lloyd's syndicate, a runoff syndicate with underwriting years of 2016 and prior. These liabilities are shown in the below triangles in their original underwriting years. The affiliate reinsurance of these liabilities is shown in the lead diagonal only of the net triangle, reflecting 1st January 2019 inception.

On 30th November 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. On 21st 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. Both of these inwards reinsurances are shown in the 2018 year of account as are the affiliate reinsurances of these liabilities.

There was no business reinsured or acquired in 2017 and this year is excluded from the triangles.

Claims Outstanding (Gross)

Underwriting Year	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**2018 £'000**	**Total £'000**
Estimate of cumulative gross claims								
At the end of the first year	69,665	80,100	117,187	108,825	114,163	118,249	192,223	800,412
- One year later	159,792	172,664	229,262	223,255	300,620	274,146	190,571	1,550,310
- Two years later	139,087	159,420	209,520	238,660	325,597	317,094	-	1,389,378
- Three years later	137,715	149,509	200,154	252,279	318,101	326,280	-	1,384,038
- Four years later	131,547	145,045	202,158	274,298	332,849	-	-	1,085,897
- Five years later	130,112	152,121	188,970	276,286	-	-	-	747,489
- Six years later	132,619	141,427	184,160	-	-	-	-	458,206
- Seven years later	125,463	143,535	-	-	-	-	-	268,998
- Eight years later	128,687	-	-	-	-	-	-	128,687
Current estimate of cumulative claims	128,687	143,535	184,160	276,286	332,849	326,280	190,571	1,582,368
Cumulative payments to date	117,392	126,449	150,104	214,548	241,721	194,618	40,096	1,085,738
Liability recognised in the balance sheet	**£11,295**	**£17,086**	**£34,056**	**£61,738**	**£91,128**	**£131,662**	**£149,665**	**£496,630**

Reserve in respect of prior years	90,341
Total reserve included in the balance sheet	**£586,971**

Claims Outstanding (Net)

Underwriting Year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2018 £'000	Total £'000
Estimate of cumulative net claims								
At the end of the first year	63,443	74,323	104,910	102,220	107,793	106,967	95,999	655,655
- One year later	149,763	157,902	193,672	209,830	244,645	252,078	95,173	1,303,063
- Two years later	133,493	150,237	186,815	225,648	255,372	276,894	-	1,228,459
- Three years later	132,412	140,912	180,261	235,505	264,206	285,207	-	1,238,503
- Four years later	124,391	134,584	183,501	234,501	273,984	-	-	950,961
- Five years later	123,229	140,524	167,460	244,577	-	-	-	675,790
- Six years later	124,908	128,561	166,858	-	-	-	-	420,327
- Seven years later	117,908	130,477	-	-	-	-	-	248,385
- Eight years later	119,894	-	-	-	-	-	-	119,894
Current estimate of cumulative claims	119,894	130,477	166,858	244,577	273,984	285,207	95,173	1,316,170
Cumulative payments to date	114,580	124,533	157,227	220,620	242,404	236,648	20,619	1,116,631
Liability recognised in the balance sheet	**£5,314**	**£5,944**	**£9,631**	**£23,957**	**£31,580**	**£48,559**	**£74,554**	**£199,539**
Reserve in respect of prior years								20,744
Total reserve included in the balance sheet								**£220,283**

v) Insurance Risk Concentrations

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

	2019		2018	
	Gross £'000	**Net £'000**	**Gross £'000**	**Net £'000**
Casualty reinsurance	18,517	6,181	25,603	-
Credit and suretyship	289	143	359	173
Fire and other damage to property	50,618	15,845	429	140
General liability	294,763	118,912	186,261	86,158
Health insurance	936	360	343	-
Income protection	2,865	1,096	1,139	118
Marine, aviation and transport	98,026	30,342	20,343	1,166
Medical expenses	91	44	1	-
Motor vehicle liability	2,431	418	180	82
Other motor	16,541	1,140	477	239
Property reinsurance	16,592	5,338	109	-
Worker's compensation	74,023	35,488	20,682	10,061
Claims expense reserve	11,279	4,976	3,864	1,714
Total technical provisions	**£ 586,971**	**£ 220,283**	**£ 259,790**	**£ 99,851**

(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 2019 is an approximate £1.5 million loss (2018: loss of £400,000) to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate £1 million gain (2018: gain of £400,000) to the profit and loss account, prior to cessions to 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.

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 2019 represent 47.7% 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/loss of £200,000 (2018: £200,000) to the profit and loss account prior to the cessions to 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 that the Pound Sterling, the most significant being the US Dollar, Euro and Australian 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 2019, if the US Dollar had weakened by 10% more in 2019 against the Pound Sterling with all other variables held constant, profit for the year would have been £214,000 lower (2018: £6.6 million higher), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets, and Pound Sterling denominated liabilities.

At 31st December 2019, if the Euro had weakened by 10% more in 2019 against the Pound Sterling with all other variables held constant, profit for the year would have been £241,000 higher (2018: £2.9 million lower), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets, and Pound Sterling denominated liabilities.

At 31st December 2019, if the Australian Dollar had weakened by 10% more in 2019 against the Pound Sterling with all other variables held constant, profit for the year would have been £1.6 million higher (2018: £23,000 higher), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets, and Pound Sterling denominated liabilities.

(c) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where RiverStone 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.

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):

	2019 £'000	2018 Restated £'000
Derivative Financial Investments	2,007	-
Debt securities	249,596	84,518
Deposits with credit institutions	712	740
Assets arising from reinsurance contracts held	406,854	236,593
Cash at bank and in hand	38,120	10,811
Overseas deposits	31,161	863
Total assets bearing credit risk	**£ 728,450**	**£ 333,525**

		2019 £'000		2018 £'000
A++		127,881		82,662
A+		63,842		3,476
A, A-		202,792		70,587
B++ and below or not rated (including affiliated assets)		333,935		176,800
Total assets bearing credit risk	£	**728,450**	£	**333,525**

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

		2019 £'000		2018 Restated £'000
Performing		402,364		236,593
Past due		4,490		-
Impaired		-		-
Provision for irrecoverable amounts		-		-
	£	**406,854**	£	**236,593**

(d) Liquidity Risk

The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using a combination of operational cash flow forecasting and 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 2019							
Creditors	-	61,042	1,559	2,017	2,706	2,242	69,566
Claims outstanding	-	90,741	90,741	117,427	157,546	130,516	586,971
Financial liabilities and outstanding claims	£ -	£ **151,783**	£ **92,300**	£ **119,444**	£ **160,252**	£ **132,758**	£ **656,537**
At 31 December 2018							
Creditors	-	73,526	98	150	291	189	74,254
Claims outstanding	-	30,808	30,808	47,106	91,592	59,476	259,790
Financial liabilities and outstanding claims	£ -	£ **104,334**	£ **30,906**	£ **47,256**	£ **91,883**	£ **59,665**	£ **334,044**

(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.
With effect from 1st January 2019, RiverStone Corporate Capital has entered into a Funds at Lloyd's inter-availability agreement with Advent Capital No. 3 Limited ("Advent Capital No. 3") allowing surplus capital held at Advent Capital No. 3 to be deployed to support ongoing run-off acquisition activity in Syndicate 3500. RiverStone Corporate Capital will pay Advent Capital No. 3 a fee for use of its capital and has indemnified Advent Capital No. 3 from any loss arising from the use of its excess capital.

6. Segmental Analysis

	Gross premiums written 2019 £'000	Gross premiums earned 2019 £'000	Gross claims incurred 2019 £'000	Gross operating expenses 2019 £'000	Re-insurance balance 2019 £'000
Direct Insurance					
Accident and health	1,879	1,879	(3,895)	(113)	1,582
Motor	16,129	16,129	(16,478)	(479)	2,770
Marine, aviation and transport	51,724	51,724	(105,165)	(3,059)	42,810
Credit and surety	82	82	(58)	(2)	-
Fire and other damage to property	65,804	65,804	(88,828)	(2,584)	25,320
Third party liability	223,124	223,124	(279,708)	(8,137)	76,657
	358,742	358,742	(494,132	(14,374)	149,139
Reinsurance acceptances	72,116	72,116	(63,366)	(1,843)	5,722
Total	**£ 430,858**	**£ 430,858**	**£ (557,498)**	**£ (16,217)**	**£ 154,861**

	Gross premiums written 2018 £'000	Gross premiums earned 2018 £'000	Gross claims incurred 2018 £'000	Gross operating expenses 2018 £'000	Re-insurance balance 2018 £'000
Direct Insurance					
Accident and health	-	-	31	-	(31)
Motor	-	-	(8)	-	8
Marine, aviation and transport	-	-	37	-	(37)
Credit and surety	-	-	18	-	(18)
Fire and other damage to property	-	-	2	-	(2)
Third party liability	2	2	(19,354)	(341)	19,928
	2	2	(19,274)	(341)	19,848
Reinsurance acceptances	206,584	206,584	(202,180)	(3,569)	4,944
Total	**£ 206,586**	**£ 206,586**	**£ (221,454)**	**£ (3,910)**	**£ 24,792**

All premiums written were in respect of insurance contracts concluded in the UK.

Effective 30th November 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. Gross written premiums and gross claims incurred include £136.7 million and £135.6 million respectively, representing the premium receivable and net loss reserves recorded in respect of this transaction. Also, effective 30th November 2018, Syndicate 3500 entered into a reinsurance protection agreement with an affiliate to retrocede 50% of these liabilities.

Effective 21st 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. Gross written premiums and gross claims incurred include £69.8 million and £63.8 million respectively, representing the premium receivable and net loss reserves recorded in respect of this transaction. Also, effective 21st December 2018, Syndicate 3500 entered into a reinsurance protection agreement with an affiliate to retrocede 50% of these liabilities.

On 1st January 2019, Syndicate 3500 accepted the reinsurance to close of the liabilities of another Lloyd's syndicate, a runoff syndicate with underwriting years of 2016 and prior. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of approximately £560 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.

The reinsurance balance includes £201.4 million of reserves that were reinsured with affiliate reinsurers under these arrangements offset by premium payable of £211.7 million.

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.

As noted in Note 6, in 2018, Syndicate 3500 entered into two loss portfolio transfer reinsurance agreements with other Lloyd's syndicates.

On 1st January 2019, Syndicate 3500 accepted the reinsurance to close of the liabilities of another Lloyd's syndicate, a runoff syndicate with underwriting years of 2016 and prior. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of approximately £560 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.

For portfolios transferred in 2012 and prior, 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).

For the loss portfolio transfer reinsurance agreements entered into in 2018 and 2019, Syndicate 3500 has protection for 50% of the adverse loss, loss expense and uncollectible reinsurance reserve development (including reimbursement of operating costs and foreign currency fluctuations) through reinsurance protection agreements with two affiliates.

8. Technical Provisions – Claims Outstanding

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

	2019			2018		
	Gross £'000	Reinsurers' Share £'000	Net £'000	Gross £'000	Reinsurers' Share £'000	Net £'000
Claims outstanding at 1 January	259,790	159,939	99,851	42,799	42,799	-
Reinsurance of new liabilities	552,752	122,657	430,095	199,935	-	199,935
New ceded reinsurance entered into	-	198,572	(198,572)	-	100,084	(100,084)
Change in estimates of technical provision provisions, including foreign exchange	(20,860)	16,830	(37,690)	25,157	25,425	(268)
Paid claims	(204,711)	(131,310)	(73,401)	(8,101)	(8,369)	268
Claims outstanding at 31 December	£ 586,971	£ 366,688	£ 220,283	£ 259,790	£ 159,939	£ 99,851

Included within reinsurers' share of technical provisions – claims outstanding are amounts recoverable from affiliated companies of £256,260,073 (2018: £150,271,033)

9. Net Operating Expenses

	2019 £'000	2018 £'000
Administration Expenses	£ 5,513	£ 617

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 (2018: 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:

		2019 £'000		2018 £'000
Audit		229		136
Audit related assurance services		52		31
Non-audit related actuarial and valuation services		108		-
	£	**389**	£	**167**

10. Investment Income

		2019 £'000		2018 £'000
Income from financial assets at fair value through profit and loss	£	**8,504**	£	**531**

11. Other Income and Expenditure

		2019 £'000		2018 £'000
Interest payable on inter-available FAL capital	£	**(4,175)**	£	**-**

12. Investment Expenses and Charges

		2019 £'000		2018 £'000
Investment management expenses	£	**1,121**	£	**104**

13. Result for the year

		2019 £'000		2018 £'000
The result for the year is stated after (crediting) charging:				
Foreign exchange (gain) loss	£	**(1,994)**	£	**137**

14. Tax on Profit (Loss)

		2019 £'000		2018 £'000
(a) Current tax				
UK corporation tax at 19% (2018: 19%) based on the profit (loss) for the year		(3,388)		-
Group relief surrendered for nil consideration		3,388		-
Total current tax charge (credit)		-		-
Deferred tax				
Origination and reversal of timing differences		2,066		942
Total tax charge	£	**2,066**	£	**942**

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

		2019 £'000		2018 £'000
Profit before tax	£	**8,669**	£	**5,800**
Profit (loss) before tax multiplied by the UK corporation tax rate of 19% (2018: 19%)		1,647		1,102
Disallowed expenses		9		(44)
Tax effect of rate changes		(241)		(116)
Prior year adjustment		7		-
Group relief surrendered for nil consideration		644		-
Total tax charge for the year	£	**2,066**	£	**942**

(c) 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.

15. Other Financial Investments

(a) Other Financial Investments by Category

	Market Value 2019 £'000	Market Value 2018 £'000	Historic Cost 2019 £'000	Historic Cost 2018 £'000
Financial Assets – at fair value through profit and loss				
Shares and other variable-yield securities and units in unit trusts - designated at fair value through profit and loss on initial recognition	9,579	9,422	8,691	8,901
Debt securities and other fixed interest securities designated at fair value through profit and loss on initial recognition	249,595	84,518	194,285	70,075
Derivative financial instruments at fair value through profit and loss, held for trading	2,007	-	-	-
Deposits with credit institutions	712	740	712	740
	£ 261,893	**£ 94,680**	**£ 203,688**	**£ 79,716**
Financial Liabilities				
Derivative financial instruments - at fair value through profit and loss, held for trading	**£ 479**	**£ -**	**£ -**	**£ -**

(b) Listed Investments

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

	2019 £'000	2018 £'000
At fair value through profit and loss		
Shares and other variable yield securities and units in unit trusts	4,570	4,749
Debt securities and other fixed interest securities	88,104	64,874
Total listed investments	**£ 92,674**	**£ 69,623**

Derivative Financial Instruments at Fair Value through Profit and Loss

	Market Value 2019 £'000	Market Value 2018 £'000
Derivative financial instruments assets		
Foreign currency forward contracts	**£ 2,007**	**£ -**

The functional currency of Syndicate 3500 is Pound Sterling and consequently it is exposed to foreign exchange movements in currencies other than Pound Sterling. Syndicate 3500 has foreign currency forward contracts in place to provide protection against the impact of potential adverse fluctuations in exchange rates on Syndicate 3500's net asset positions.

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

	Market Value		Contract/Notional Amount	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Foreign currency forward contracts	£ 2,007	£ -	£ 155,258	£ -

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

	Level 1 2019 £'000	Level 2 2019 £'000	Level 3 2019 £'000	Total 2019 £'000
Shares and other variable yield securities and units in unit trusts	-	4,570	5,009	9,579
Debt securities and other fixed interest securities	154,305	95,290	-	249,595
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	2,007	2,007
Deposits with credit institutions	712	-	-	712
	£ 155,017	£ 99,860	£ 7,016	£ 261,893

	2018 £'000	2018 £'000	2018 £'000	Total 2018 £'000
Shares and other variable yield securities and units in unit trusts	-	4,749	4,673	9,422
Debt securities and other fixed interest securities	19,644	64,874	-	84,518
Deposits with credit institutions	740	-	-	740
	£ 20,384	£ 69,623	£ 4,673	£ 94,680

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 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		
	Debt Securities 2019 £'000	Equity Shares 2019 £'000	Derivatives 2019 £'000	Debt Securities 2019 £'000	Equity Shares 2019 £'000	Total 2019 £'000
At 1 January	-	4,673	-	-	-	4,673
Total losses recognised in the profit and loss account	-	336	2,007	-	-	2,343
Total	£ -	£ 5,009	£ 2,007	£ -	£ -	£ 7,016
	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2018 £'000
At 1 January	-	4,878	-	-	-	4,878
Total losses recognised in the profit and loss account	-	(205)	-	-	-	(205)
Total	£ -	£ 4,673	£ -	£ -	£ -	£ 4,673

Total gains of £2.3 million (2018: losses of £205,000) comprise unrealised gains of £2.3 million on Level 3 financial investments held during the year, all of which are presented in the net investment return in the profit and loss account.

(f) **Collateralised Cash and Investments**

RiverStone Corporate Capital maintains a letter of credit facility in respect of its contractual obligations under which Syndicate 3500 is obliged to collateralise its liabilities. The total amount of collateral provided at 31st December 2019 was £77.2 million (2018: £8.3 million).

16. Debtors Arising Out of Direct Insurance Operations

	2019 £'000	2018 £'000
Amounts owed from intermediaries	£ 5,937	£ 254

17. Debtors Arising Out of Reinsurance Operations

	2019 £'000	2018 £'000
Amounts owed from intermediaries	25,600	204
Due from group undertakings	6,223	-
Premiums receivable	2,422	76,196
	£ 34,245	£ 76,400

18. Other Debtors

	2019 £'000	2018 £'000
Receivables for securities sold	3,093	-
Amounts owed from parent undertaking	186	194
Tax	1,088	-
	£ 4,367	£ 194

19. Called up Share Capital

	2019 £'000	2018 £'000
Allotted and fully paid		
68,350,002 (2018: 3,350,002) Ordinary Shares of £1 each	£ 68,350	£ 3,350

On 7th February 2019, 65,000,000 ordinary shares of £1 each were issued for cash.

20. Creditors Arising Out of Direct Insurance Operations

	2019 £'000	2018 £'000
Amounts owed to group undertakings	£ -	£ 1,077

21. Creditors Arising Out of Reinsurance Operations

	2019 £'000	2018 £'000
Amounts owed to group undertakings	48,619	71,854
Amounts owed to intermediaries	15,302	854
	£ 63,921	£ 72,708

22. Other Creditors Including Tax and Social Security

		2019		2018
		£'000		£'000
Amounts owed to group undertakings		9,554		741
Derivative Liability		479		-
	£	10,033	£	741

23. Deferred Tax

		2019		2018
		£'000		£'000
Liability at 1st January 2019		942		-
Recognition of future timing differences		2,059		942
Liability at 31st December 2019	£	**3,001**	£	**942**

Deferred tax is provided on the annually accounted technical result of the 2018 and 2019 years of account which remains undistributed at 31 December 2019. An asset is only recognised where forecasts show that the taxable loss will be utilised in the foreseeable future.

All deferred tax balances are expected to reverse after 2020 and have therefore been calculated at 17%.

24. Pledged and Restricted Assets

Funds at Lloyd's to support Syndicate 3500 are provided by RiverStone Corporate Capital, Advent Capital No. 3 and RiverStone Insurance (UK), and by way of a letter of credit from The Bank of Nova Scotia (London Branch). 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.

25. Subsequent Events

On 20th December 2019, Fairfax entered into an agreement to sell a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System (''OMERS''), the pension plan manager for government employees in the province of Ontario. The European Run-off group includes RiverStone Managing Agency and RiverStone Corporate Capital and their 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.

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.

26. 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.