

Resolution Capital Limited

Report and Financial Statements

31 March 2016



Resolution Capital Limited

Company information

Registered No: 6726654

Director

C A Cowdery

Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Bankers

HSBC
Regional Service Centre Europe
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Resolution Capital Limited

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Directors' Report

The director presents his report and the audited financial statements of Resolution Capital Limited ("the Company") for the year ended 31 March 2016.

Principal activity

The principal activity of the Company is that of an investment holding company and provider of management and investment services to its subsidiaries. This will be the principal activity for the foreseeable future.

Dividends

A dividend of £2,000,000 was approved by the director and paid post year end (2014: £nil).

Directors

The sole director during the year and at the date of this report was C A Cowdery.

Review of the business

The Company continues to service its US investment via Resolution Life GP Limited and explore other potential investment opportunities, in three key jurisdictions the US, UK and Europe. The key financial and other performance indicators during the year were as follows:

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Turnover	8,905,711	1,743,455
Operating profit/(loss) before interest	6,187,493	(2,234,098)
Loss after interest	(2,986,034)	(3,472,581)
(Loss)/profit after interest and gain on sale of investment	(2,986,034)	9,466,482
Current assets as % of current liabilities ('quick ratio')	24,344%	21,567%
Average number of employees	9	8

Review of Company financial performance

The Company made a loss as a result of the interest on a substantial new loan advance required to provide sufficient capital resources both for readiness for project investments and to demonstrate to prospective investment boards that we have sufficient resources to advance in negotiations. The current investments under negotiation are capable of returning sufficient income to more than cover the cost of servicing the debt. The loan will be repaid or part repaid as soon as it may be considered unlikely that these investments will be made.

Directors' Report

Going Concern

The director has undertaken a going concern assessment. The Company has shareholder funds of £2.6m and has a cash balance of £102.5m at the year end. The director is satisfied that the Company has adequate resources to operate as a going concern for the foreseeable future, and has prepared the financial statements on that basis.

Provision of information to auditor

The director of the Company at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions applicable to companies subject to small companies regime.

On behalf of the Board



C A Cowdery

Director

Date: 2/12/2016

Registered No: 6726654

Statement of Director's Responsibilities

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations. Company law requires the director to prepare financial statements for each financial year. Under that law, the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including FRS 102 – Section 1A – Small entities and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable law) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping proper 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. He is 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.

Independent Auditor's Report to the shareholder of Resolution Capital Limited

For the year ended 31 March 2016

We have audited the financial statements of Resolution Capital Limited for the year ended 31 March 2016, which comprise the statement of comprehensive income, the statement of financial position and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' – Section 1A – Small entities.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the director's responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' – Section 1A – Small entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report to the shareholder of Resolution Capital Limited

For the year ended 31 March 2016

Opinion on other matter prescribed by the Companies Act 2006

In our opinion

- the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements
- the directors report 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 have identified no material misstatements in the Director's report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.



James Beszant (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 2 December 2016.

Resolution Capital Limited

Registered No: 6726654

Statement of Comprehensive Income

As at 31 March 2016

	Notes	2016 £	2015 £
Turnover	3	8,905,711	1,743,455
Administrative expenses		(4,500,253)	(4,544,447)
Operating loss	4	4,405,458	(2,800,992)
Other income	5	1,883,275	566,894
Profit on disposal of investment	6	-	12,939,063
Interest payable and similar charges	7	(9,274,767)	(1,238,483)
(Loss)/profit on ordinary activities before taxation		(2,986,034)	9,466,482
Tax charge on the (loss)/profit on ordinary activities	8	(454,993)	(508,082)
(Loss)/profit for the year after taxation		(3,441,027)	8,958,398

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There was no other profit or loss for the year.

The notes on pages 8 to 17 are an integral part of these financial statements.

Resolution Capital Limited

Registered No: 6726654

Statement of Financial Position

As at 31 March 2016

	Notes	2016 £	2015 £
Fixed assets			
Investments in subsidiary undertakings	9	110,448	110,447
Current assets			
Debtors	10	11,604,867	7,978,634
Cash at bank		102,608,580	32,921,354
		<u>114,213,447</u>	<u>40,899,988</u>
Creditors: amounts falling due within one year	11	(469,354)	(189,633)
Net current assets		<u>113,744,093</u>	<u>40,710,355</u>
Total assets less current liabilities		<u>113,854,541</u>	<u>40,820,802</u>
Creditors: amounts falling due after one year	11	(111,233,466)	(34,758,700)
Net assets		<u>2,621,075</u>	<u>6,062,102</u>
Capital and reserves			
Called up share capital	13	10,000	10,000
Profit and loss account	14	2,611,075	6,052,102
Shareholder's funds	14	<u>2,621,075</u>	<u>6,062,102</u>

These financial statements have been prepared in accordance with the provisions of the Companies Act 2006 and in accordance with the provisions of FRS 102 – Section 1A – Small entities.

The financial statements on pages 6 to 17 were approved by the Board on 2 December 2016.
For and on behalf of the board



C A Cowdery
Director

The notes on pages 8 to 17 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2016

1. General information

Resolution Capital Limited is a limited liability Company incorporated in England. The Registered Office is 2 Queen Anne's Gate, London SW1H 9AA.

2. Accounting policies

The Company's financial statements have been prepared on a going concern basis and under the historical cost convention in accordance with FRS 102 – Small entities as it applies to these financial statements for the period ending 31 March 2016 and in accordance with the requirements of the Companies Act 2006.

The Company transitioned to Financial Reporting Standard 102 (FRS 102) from previously extant United Kingdom Generally Acceptable Accounting Principles of as 1 April 2014. The adoption of FRS 102 has not affected the reported financial position or performance of the Company for the year to 31 March 2016.

The preparation of financial statements in compliance with FRS 102 – Small entities requires management to exercise judgement in applying the Company's accounting policies although management have not had to exercise a significant degree of judgement over estimating uncertainty in applying the accounting policies.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year.

a) Cash flow statement

The Company as a small entity has taken advantage of the exemption in section 7 of FRS 102 from the requirement to prepare a statement of cash flows.

b) Consolidation

Consolidated accounts for Resolution Capital Limited have not been prepared as the group qualifies as small under Section 383 of the Companies Act 2006.

c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the financial reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

d) Going Concern

The director has undertaken a going concern assessment. The Company has made a loss in the current year but has sufficient cash resources for the foreseeable future. Therefore, the director is satisfied that the Company has adequate resources to operate as a going concern for the foreseeable future, and has prepared the financial statements on that basis.

Notes to the financial statements

For the year ended 31 March 2016

2 Accounting policies (Continued)

e) Revenue Recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Turnover represents investment income received from related undertakings during the period, and arises from continuing activities in the UK.

Other income includes the recovery of costs incurred on behalf of related entities. This income is recognised when the costs are recharged.

f) Leases

The Company has entered into a commercial property lease. The classification of the lease as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position. The five year property lease is considered an operating lease at market rate rental and reverting back to the lessor on termination.

g) Director's and employees' remuneration

The Company aims to offer employees a competitive basic salary, the director is not remunerated.

h) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling, which is the Company's functional and presentational currency, at rates of exchange ruling at the reporting date.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction.

Exchange gains and losses are taken to the profit and loss account.

i) Taxation and deferred tax

The tax charge for the year arises from a deferred tax adjustment, there was no current tax charge. The charge for taxation in the previous period was based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Notes to the financial statements

For the year ended 31 March 2016

2 Accounting policies (Continued)

j) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less or deposits which can be cancelled without notice.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

k) Fixed assets – investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less any provision for impairment in the value of the investments.

l) Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

m) Interest Payable

Interest payable is recognised on an accruals basis.

n) Pension contributions

Pension contributions for staff have been made into the defined contribution pension scheme operated by Royal London.

Notes to the financial statements

For the year ended 31 March 2016

3. Turnover

An analysis of turnover by geographical market is as follows:

	2016 £	2015 £
United Kingdom		
- External dividends received	-	1,743,455
United States of America		
- Distributions from related undertakings	5,067,071	-
- Fee income from related undertakings	3,838,640	-
	<u>8,905,711</u>	<u>1,743,455</u>

4. Operating loss

The operating loss is stated after charging:

	2016 £	2015 £
Statutory audit services	20,625	15,000
Additional audit services	3,236	-
Salaries and bonuses	1,083,961	1,003,035
Social security costs	132,548	127,608
Pension contributions to defined contribution scheme	26,557	26,595
	<u></u>	<u></u>

There were an average of 9 employees during the year (2015: 9).

5. Other income

	2016 £	2015 £
Recovery of costs from foreign related entity	537,000	560,220
Foreign exchange gain	919,140	-
Other income	427,135	6,674
	<u>1,883,275</u>	<u>566,894</u>

6. Profit on disposal of investment

During the year there were no disposals. In the prior year the Company disposed of its investment in Friends Life Group Limited shares. The profit on disposal was as follows:

	2016 £	2015 £
Disposal proceeds of Friends Life Group Limited shares	-	33,103,428
Investment in Friends Life Group Limited disposed	-	(20,164,365)
	<u>-</u>	<u>12,939,063</u>

Notes to the financial statements

For the year ended 31 March 2016

7. Interest payable and similar charges

	2016 £	2015 £
Interest on loan	9,274,767	1,238,483
	<u>9,274,767</u>	<u>1,238,483</u>

8. Taxation

Analysis of the tax charge

	2016 £	2015 £
Current tax		
UK corporation tax	-	-
Deferred tax		
Originating and reversal of timing differences	625,662	469,345
Adjustments in respect of previous periods	(187,500)	-
Effect of changes in tax rates	16,831	38,737
	<u>454,993</u>	<u>508,082</u>
Total tax per statement of comprehensive income	<u>454,993</u>	<u>508,082</u>

Factors affecting the tax charge for the period

The charge for the year can be reconciled to the profit per the income statement as follows:

	2016 £	2015 £
(Loss)/profit for the period – continuing operations	(2,986,035)	9,466,482
Tax on (loss)/profit at standard UK rate of 20.00% (2015: 21.00%)	(597,207)	1,987,961
Expenses not deductible	15,018	218,830
Income not taxable	(1,013,414)	(3,128,578)
Movement in short term timing differences	-	1,052,995
Losses not recognised	2,221,266	(482,972)
Adjustment from previous periods	(187,500)	-
Effect of gains (including rollover relief)	-	351,764
Tax rate changes	16,832	-
Tax charge for the period	<u>454,993</u>	<u>508,082</u>

Notes to the financial statements

For the year ended 31 March 2016

The UK Government announced as part of the Finance (No 2) Act 2015, which received Royal Assent on 18 November 2015, that the main rate of corporation tax rate would be reduced from 20% to 19% from 1 April 2017 and further to 18% from 1 April 2020. This will affect the rate at which future UK cash tax will be payable.

9. Investments

All investments are stated at cost:

	<i>Subsidiary Undertakings</i>	<i>Other Investments</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 April 2015	110,347	100	110,447
Additions	1	-	1
At 31 March 2016	<u>110,348</u>	<u>100</u>	<u>110,448</u>

Notes to the financial statements

For the year ended 31 March 2016

Details of the investments in which the Company holds share capital and other interests are as follows:

Company	Country of Incorporation	Holding	Proportion of voting rights & shares held	Nature of Business
Subsidiary undertakings:				
Resolution Financial Group Limited	United Kingdom	Ordinary shares	100%	Holding Company
Resolution Life US Limited	United Kingdom	Ordinary shares	100%	Holding Company
Resolution (Brands) Limited	United Kingdom	Ordinary share	100%	Licensing services
RCAP (TRG) GP Limited	United Kingdom	Ordinary shares	100%	Holding Company
RCAP (US) GP Limited	United Kingdom	Ordinary shares	100%	Holding Company
RCAP Feeder LP	United Kingdom	Members Capital	100%	Holding Company
Resolution Life GP Limited	Bermuda	Ordinary shares	100%	Holding Company
Resolution Service Management Limited	United Kingdom	Ordinary shares	100%	Shared Services and Property Management
Other investments:				
Resolution Operations LLP	United Kingdom	Members Capital	Nil	Investment Management Services

Notes to the financial statements

For the year ended 31 March 2016

10. Debtors

	2016 £	2015 £
Deferred tax (note 12)	319,786	774,779
VAT asset	114,525	186,219
Due from Resolution Operations LLP	15,600	29,347
Due from Resolution Life Inc.	1,129,314	876,990
Due from Resolution Life GP Limited	2,907,687	102,565
Due from Resolution Life (Parallel) GP Limited	-	18,592
Due from RCAP Feeder LP	5,300,655	5,760,277
Due from Resolution Life L.P.	88,616	85,925
Other debtors	394,167	143,940
Accrued income	1,334,517	-
	<u>11,604,867</u>	<u>7,978,634</u>

11. Creditors

Amounts falling due within one year

	2016 £	2015 £
Trade creditors	190,365	57,938
Accruals and other creditors	94,810	90,624
Other taxes and social security costs	39,779	41,071
Amounts due to Resolution Service Management Limited	132,920	-
Amounts due to Resolution Life Management LP	3,739	-
Sundry creditors	7,741	-
	<u>469,354</u>	<u>189,633</u>

Amounts falling due after one year

	2016 £	2015 £
Loan from Clive Cowdery, loan principal	99,700,000	32,500,000
Accrued interest	11,533,466	2,258,700
At 31 March	<u>111,233,466</u>	<u>34,758,700</u>

The loan facility has been made available to the Company by Clive Cowdery, the sole shareholder and director of the Company. The interest rate charged on the loan is 10% (2015: LIBOR + 3%). The loan is repayable on 31 December 2021.

Notes to the financial statements

For the year ended 31 March 2016

12. Deferred tax asset

The deferred tax included in the statement of financial position is as follows:

	2016 £	2015 £
Provision at start of year	(774,779)	(1,282,861)
Deferred tax charge to income statement for the year	642,493	508,082
Adjustment in respect of prior years	(187,500)	-
	<u>(319,786)</u>	<u>(774,779)</u>

There are deferred tax assets relating to non-capital and capital losses. The directors anticipate realisation of taxable profits in future years, supporting the recoverability and recognition of the deferred tax asset on these losses.

13. Share capital

	Number of shares	2016 £	2015 £
Allotted, issued and fully paid Ordinary shares of £1 each	10,000	10,000	10,000
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

14. Statement of movement on reserves

	Issued Share Capital £	Accumulated Profit £	Total £
At 1 April 2015	10,000	6,052,102	6,062,102
Loss for the year	-	(3,441,027)	(3,441,027)
At 31 March 2016	<u>10,000</u>	<u>2,611,075</u>	<u>2,621,075</u>

15. Related party transactions

During the year, the director extended his loan to a principal amount of £99,700,000 (2015: £32,500,000) to the Company. The outstanding balance of the loan including interest at the end of the period ended 31 March 2016 is £111,233,466 (2015: £34,758,700).

In accordance with FRS102 paragraph 33.1A *Related Party Disclosures*, the company has taken advantage of the exemption from disclosing transactions with fellow group companies.

Notes to the financial statements

For the year ended 31 March 2016

16. Ultimate controlling party

The ultimate controlling party is C A Cowdery as sole shareholder.

17. Subsequent events

There have been no material subsequent events.