

**Resolution Service Management
Limited**

Unaudited Financial Statements

Year Ended

31 December 2019

Company Number 08133725

TUESDAY



A9GJX96W

A09

27/10/2020

#130

COMPANIES HOUSE

Resolution Service Management Limited
Registered number:08133725

Balance Sheet
As at 31 December 2019

| | Note | 2019 £ | As restated 2018 £ |
|---|------|--------------------|--------------------------|
| Fixed assets | | | |
| Tangible assets | 6 | 3,923,972 | 4,578,787 |
| Current assets | | | |
| Debtors | 7 | 50,846 | 89,856 |
| Cash and cash equivalents | | 144,652 | 119,542 |
| | | <u>195,498</u> | <u>209,398</u> |
| Creditors: amounts falling due within one year | 8 | (430,196) | (336,982) |
| Net current liabilities | | <u>(234,698)</u> | <u>(127,584)</u> |
| Total assets less current liabilities | | <u>3,689,274</u> | <u>4,451,203</u> |
| Creditors: amounts falling due after more than one year | 9 | (8,311,394) | (7,996,869) |
| Net liabilities | | <u>(4,622,120)</u> | <u>(3,545,666)</u> |
| Capital and reserves | | | |
| Share capital | 10 | 1 | 1 |
| Profit and loss account | | (4,622,121) | (3,545,667) |
| Shareholders' deficit | | <u>(4,622,120)</u> | <u>(3,545,666)</u> |

Resolution Service Management Limited

Registered number:08133725

Balance Sheet (continued)

As at 31 December 2019

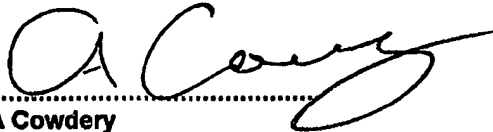
The director considers that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The director acknowledges his responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....
C A Cowdery
Director

Date: 22/10/2020

The notes on pages 3 to 10 form part of these financial statements.

Resolution Service Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Resolution Service Management Limited is a private Company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 2 Queen Annes Gate, London, SW1H 9AA and its principal activity is that of a property management and shared services company for the Resolution Group.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 4).

The following principal accounting policies have been applied:

2.2 Going concern

The director has undertaken a going concern assessment. The Company has obtained a letter of financial support from its holding Company that will enable it to meet its future liabilities as and when they fall due. 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.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

Resolution Service Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.4 Revenue

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: turnover represents rent and service charge fees at pre-agreed rates, and is recognised in the profit and loss account once the service has been rendered.

Interest income: Interest income is recognised as interest accrues using the effective interest method.

2.5 Operating leases: the Company as lessor

The Company has entered into commercial property leases as a lessor of its leasehold property. The classification of the latter 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 the liability to be recognised in the statement of financial position. The ten year property lease is considered an operating lease; it was amended to attract an annual rent of £240,000 from 1 October 2017 (previously attracting one peppercorn, if demanded), it continues to revert to the freeholder on termination.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Resolution Service Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|------------------------|------------------------------|
| Leasehold improvements | - 10 years straight line |
| Fixtures and fittings | - 10 years straight line |
| Computer equipment | - 3 to 5 years straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Financial Instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Resolution Service Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.12 Current and deferred taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Prior year adjustment

Prior year adjustments have been made to correct entries included in the 31 December 2018 financial statements that were recorded in error.

| | As previously stated £ | Adjustments £ | Restated £ |
|--|---------------------------------|------------------|----------------|
| Creditors: amounts falling due within one year | | | |
| Director's loan | 100,702 | (100,702) | - |
| Creditors: amounts falling due after more than one year | | | |
| Interest on loan | - | 100,702 | 100,702 |
| | <u>100,702</u> | <u>-</u> | <u>100,702</u> |

The adjustment was to correct the allocation of the interest charged on the director's loan during the prior year.

Resolution Service Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the director has had to make the following judgements:

Determine whether there are indicators of impairment of the Company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty:

Tangible fixed assets (see note 6)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

5. Employees

The average monthly number of employees, including directors, during the year was 3 (2018 - 2).

6. Tangible fixed assets

| | Leasehold improvements £ | Fixtures and fittings £ | Computer equipment £ | Total £ |
|-----------------------|--------------------------------|-------------------------------|----------------------------|------------|
| Cost | | | | |
| At 1 January 2019 | 5,721,929 | 791,756 | 120,300 | 6,633,985 |
| Additions | - | - | 10,747 | 10,747 |
| At 31 December 2019 | 5,721,929 | 791,756 | 131,047 | 6,644,732 |
| Depreciation | | | | |
| At 1 January 2019 | 1,721,760 | 234,771 | 98,667 | 2,055,198 |
| Charge for the year | 572,193 | 79,175 | 14,194 | 665,562 |
| At 31 December 2019 | 2,293,953 | 313,946 | 112,861 | 2,720,760 |
| Net book value | | | | |
| At 31 December 2019 | 3,427,976 | 477,810 | 18,186 | 3,923,972 |
| At 31 December 2018 | 4,000,169 | 556,985 | 21,633 | 4,578,787 |

Resolution Service Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

7. Debtors

| | 2019 £ | 2018 £ |
|------------------------------------|---------------|---------------|
| Trade debtors | - | 69,531 |
| Amounts owed by group undertakings | 1,180 | - |
| Other debtors | 35,374 | 2,265 |
| Prepayments | 14,292 | 18,060 |
| | <u>50,846</u> | <u>89,856</u> |

8. Creditors: Amounts falling due within one year

| | 2019 £ | As restated 2018 £ |
|------------------------------------|----------------|--------------------------|
| Trade creditors | 22,191 | 46,303 |
| Amounts owed to group undertakings | 32,259 | 150,359 |
| Other taxation and social security | 1,829 | 800 |
| Other creditors | 2,195 | - |
| Accruals | 371,722 | 139,520 |
| | <u>430,196</u> | <u>336,982</u> |

Amounts owed to group undertakings are interest free and repayable on demand.

9. Creditors: Amounts falling due after more than one year

| | 2019 £ | As restated 2018 £ |
|------------------|-----------|--------------------------|
| Director's loan | 7,000,000 | 7,000,000 |
| Interest on loan | 1,311,394 | 996,869 |

The loan facility has been made available to the company by Clive Cowdery, the sole shareholder and director of the Company, bears interest at LIBOR + 3% and is repayable on 5 February 2025 or such other date as agreed with the lender.

Resolution Service Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Share capital

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 1 Ordinary share of £1 each | 1 | 1 |

11. Pension commitments

The Company operates a defined contribution pension scheme. Pension contributions for staff have been made into the defined contribution pension scheme operated by Royal London. The assets of the scheme are separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £7,879 (2018 - £5,019). Contributions totalling £2,195 (2018 - £Nil) were payable to the fund at the reporting date.

12. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease receipts under non-cancellable operating leases as follows:

| | 2019 £ | 2018 £ |
|--|------------------|----------------|
| Not later than 1 year | 383,528 | 266,878 |
| Later than 1 year and not later than 5 years | 1,019,992 | 90,630 |
| | <u>1,403,520</u> | <u>357,508</u> |

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Not later than 1 year | 240,000 | 240,000 |
| Later than 1 year and not later than 5 years | 960,000 | 960,000 |
| Later than 5 years | 60,000 | 300,000 |
| | <u>1,260,000</u> | <u>1,500,000</u> |

Resolution Service Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Related party transactions

The Company has taken advantage of the exemption available in section 33.1A of the FRS 102 where it has not disclosed transactions with the ultimate parent company of any wholly owned subsidiary undertakings of the group.

The Director advanced a loan of principal amount £7,000,000 to the Company during the period ending 31 December 2015. The outstanding balance of the loan including interest at the year ended 31 December 2019 is £8,311,394 (2018 - £7,996,870).

The Company received rent and service charge income from The Resolution Foundation and Prospect Publishing Limited of £232,660 (2018 - £157,452), £153,672 (2018 - £153,672) respectively and had balances outstanding at 31 December 2019 of £Nil (2018 - £Nil) and £Nil (2018 - £69,531) respectively. Both of these parties are related to the Company by nature of the director's significant influence.

The Company provided office space to Resolution Life Group Services Ltd under an arm's length lease for which the company received during the period rent and service charges of £140,084 (2018 - £336,204). At 31 December 2019 the company owed Resolution Life Group Services Ltd £32,259 for miscellaneous expenses incurred on our behalf (2018 - £20,806). At the end of the year this balance is included in amounts owed to group undertakings.

The director is the freeholder of the property and at the balance sheet date an amount of £360,000 was owed to the director of the Company (2018 - £120,000) in respect of rent. At the end of the year this balance is included in accruals.

Key management personnel include the director and senior managers who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the Company was £Nil (2018 - £Nil).

14. Post balance sheet events

The directors of the company are currently assessing the impact of COVID-19. The situation is evolving rapidly and it is not possible at this stage to determine with any certainty the impact on the company, its customers and employees.

15. Ultimate parent undertaking and controlling party

The Company's owner is Resolution Capital Limited and ultimate controlling party is Clive Cowdery.