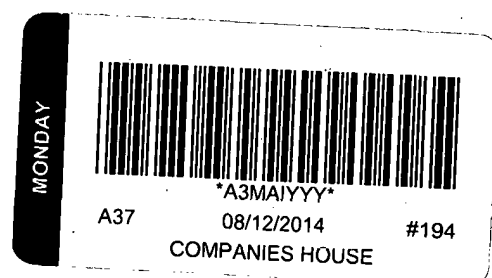


Resolution Capital Limited

Report and Financial Statements

31 March 2014



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Director

C A Cowdery

Senior Statutory Auditor

Jeremy Young

Auditors

Ernst & Young LLP
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London
SE1 2AF

Bankers

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Regional Service Centre Europe
P O Box 125
2nd Floor
62-76 Park Street
London
SE1 9WP

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2 Queen Anne's Gate
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Director's report

The director presents his report and the audited financial statements of Resolution Capital Limited ("the Company") for the year ended 31 March 2014.

Principal activity

The principal activity of the Company is that of an investment holding company. This will be the principal activity for the foreseeable future.

Review of business

The Company now employs staff directly to enable it to identify and explore potential investment opportunities whereas previously this activity was outsourced.

Turnover for the year was £2,394,047 (2013: £4,943,456) and the loss before tax was £1,505,575 (2013: loss of £5,978,248).

The Company's balance sheet as detailed on page 8 shows shareholders' deficit amounting to (£2,896,296) (2013: (£1,896,066)).

Dividends

The director does not recommend the payment of a dividend (2013: £nil).

Directors

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

Going Concern

The director has undertaken a going concern assessment. The Company has made a loss for the year. It has a defined income stream relating to dividends from Friends Life Group Limited. Since the year end the Company has completed on its first deal in the United States which will provide an income stream for the foreseeable future. In addition, the Company has access to a £46m loan facility, of which only £32.5m has been drawn down. 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.

Statement of Director's Responsibilities

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

The Companies Act 2006 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 and applicable law). Under the Companies Act 2006 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:

Director's report (continued)

Statement of Director's Responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 him 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.


Statement as to disclosure of information to the auditors

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A written resolution to re-appoint Ernst & Young LLP as the Company's auditor has been circulated to the member for approval.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.



C A Cowdery

Director

Date: 25 NOVEMBER 2014

Report of the Independent Auditors to the Members of Resolution Capital Limited

We have audited the financial statements of Resolution Capital Limited ("the Company") for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller 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 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 auditors

As explained more fully in the Statement of Director's Responsibilities set out on pages 3 and 4, the director is 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 director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

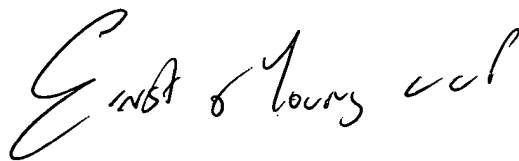
In our opinion the information given in the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the Members of Resolution Capital Limited (continued)

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 director was not entitled to prepare the financial statements in accordance with the small companies regime, take advantage of the small companies' exemption from the requirement to prepare a Strategic Report and take advantage of the small companies exemption in preparing the director's report.



Jeremy Young (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP

London

Date:

24th November 2014

Profit and loss account

for the year ended 31 March 2014

| | Notes | 2014 £ | 2013 £ |
|--|-------|-------------|-------------|
| Turnover | 2 | 2,394,047 | 4,943,456 |
| Administrative expenses | | (5,192,251) | (807,875) |
| Operating (loss)/profit | 3 | (2,798,204) | 4,135,581 |
| Other income | 4 | 2,312,000 | - |
| Loss on disposal of investment | 5 | - | (9,087,931) |
| Interest payable and similar charges | 6 | (1,019,371) | (1,025,898) |
| Loss on ordinary activities before taxation | | (1,505,575) | (5,978,248) |
| Tax credit/(charge) on the loss on ordinary activities | 7 | 505,345 | (586,998) |
| Loss for the year after taxation | | (1,000,230) | (6,565,246) |

All amounts are in respect of continuing activities.

Statement of Total Recognised Gains and Losses

There were no recognised gains or losses other than the loss attributable to the shareholder of the Company of £1,000,230 (2013: £6,565,246).

The notes numbered 1 to 15 form an integral part of these financial statements.

Balance sheet

at 31 March 2014

| | Notes | 2014 £ | 2013 £ |
|---|-------|--------------------|--------------------|
| Fixed assets | | | |
| Investments | 8 | 20,274,812 | 20,192,472 |
| Current assets | | | |
| Debtors | 9 | 10,071,516 | 819,437 |
| Cash at bank | | 530,595 | 2,263,483 |
| | | <u>10,602,111</u> | <u>3,082,920</u> |
| Creditors: amounts falling due within one year | 10 | (253,848) | (171,458) |
| Net current assets | | <u>10,348,263</u> | <u>2,911,462</u> |
| Total assets less current liabilities | | <u>30,623,075</u> | <u>23,103,934</u> |
| Creditors: amounts falling due after one year | 11 | (33,519,371) | (25,000,000) |
| Net liabilities | | <u>(2,896,296)</u> | <u>(1,896,066)</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 10,000 | 10,000 |
| Profit and loss account | 14 | (2,906,296) | (1,906,066) |
| Shareholder's deficit | 14 | <u>(2,896,296)</u> | <u>(1,896,066)</u> |

These accounts have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Signed on behalf of the board on 25 November 2014



C A Cowdery

Director

Company number: 6726654

The notes numbered 1 to 15 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2014

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost convention. In addition, the financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Turnover

Turnover, which is stated net of value added tax, represents investment income received from related undertakings during the period, and arises from continuing activities in the UK. This is recognised when the Company obtains its rights to consideration in exchange for its performance.

Other income

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

Cash flow statement and Related party transactions

The Company has taken advantage of the exemption from preparing a cash flow statement and presenting related party transactions under the terms of Financial Reporting Standard 1 on the basis of being a small company.

Interest payable

Interest payable is recognised on an accruals basis.

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.

Fixed assets – investments

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

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.

Going Concern

The director has undertaken a going concern assessment. The Company has made a loss in the current year, as well as in the prior year, and has a net liability position at the year-end. However, it has a defined income stream relating to dividends from Friends Life Group Limited and since the year end the Company has completed on its first deal in the United States which will provide an income stream for the foreseeable future. In addition, the Company has access to a £46m loan facility, of which only £32.5m has been drawn down. 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 2014

Foreign currency transactions

Transactions undertaken in a foreign currency are translated into sterling at the exchange rate prevailing at the transaction date. Foreign currency balances are translated into sterling using the exchange rate at the balance sheet date, with any resultant differences going through the profit and loss account.

2. Turnover

An analysis of turnover by geographical market is as follows:

| | 2014 £ | 2013 £ |
|---|------------------|------------------|
| United Kingdom | | |
| - External dividends received | 1,743,455 | - |
| - Distributions from related undertakings | 541,401 | 3,113,456 |
| Other | 109,191 | 1,830,000 |
| | <u>2,394,047</u> | <u>4,943,456</u> |

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| Auditors' remuneration | 11,000 | 6,500 |
| Salaries and bonuses | 1,403,070 | - |
| Social security costs | 185,147 | - |
| Pension contributions to defined contribution scheme | 20,625 | - |
| Director's emoluments | - | - |
| | <u></u> | <u></u> |

There were an average of 8 employees during the year (2013: nil).

4. Other income

| | 2014 £ | 2013 £ |
|---|------------------|-----------|
| Recovery of costs from foreign related entity | 2,300,000 | - |
| Other income | 12,000 | - |
| | <u>2,312,000</u> | <u>-</u> |

Notes to the financial statements

For the year ended 31 March 2014

5. Loss on disposal of investment

In the prior year the Company disposed of its remaining investment in RCAP Guernsey LP in consideration for a direct investment in Friends Life Group Limited. The loss on disposal is as follows:

| | 2014 | 2013 |
|---|-----------------|---------------------------|
| | £ | £ |
| Value of Friends Life Group Limited shares acquired | - | 20,164,365 |
| Investment in RCAP Guernsey LP disposed | - | (29,252,296) |
| | <u>-</u> | <u>(9,087,931)</u> |
| | <u><u>-</u></u> | <u><u>(9,087,931)</u></u> |

6. Interest payable and similar charges

| | 2014 | 2013 |
|------------------|-------------------------|-------------------------|
| | £ | £ |
| Interest on loan | 1,019,371 | 1,025,898 |
| | <u>1,019,371</u> | <u>1,025,898</u> |
| | <u><u>1,019,371</u></u> | <u><u>1,025,898</u></u> |

Notes to the financial statements

For the year ended 31 March 2014

7. Taxation

Analysis of the tax charge

The tax credit/(charge) on the loss on ordinary activities for the year was as follows:

| | 2014 £ | 2013 £ |
|--|----------------|------------------|
| UK corporation tax | | |
| UK corporation tax charge for the period | - | - |
| Adjustments in respect of previous periods | - | - |
| Total current tax | - | - |
| Deferred tax | | |
| Originating and reversal of timing differences | 546,027 | (553,193) |
| Impact of change in tax rate | (122,177) | (33,805) |
| Prior year adjustments | 81,495 | - |
| | <u>505,345</u> | <u>(586,998)</u> |
| Total Tax | <u>505,345</u> | <u>(586,998)</u> |

Factors affecting the tax charge for the period

The tax assessed on the loss on ordinary activities for the year is equal to the standard rate of corporation tax in the UK. The differences are explained below:

| | 2014 £ | 2013 £ |
|--|------------------|--------------------|
| Loss on ordinary activities before tax | (1,505,575) | (5,978,249) |
| Loss on ordinary activities multiplied by standard rate of UK corporation tax of 23% (2013: 24%) | <u>(346,282)</u> | <u>(1,434,780)</u> |
| Expenses not deductible for tax purposes | 92,826 | 120,837 |
| Interest payable not deductible for tax purposes | 234,455 | - |
| Tax charge arising due to interest in controlled foreign company | 156,268 | - |
| Trade intangible fixed asset credits on capital items | - | 129,921 |
| Non-deductible write off on investments | - | 2,181,104 |
| Exempt dividend income | (400,995) | (439,200) |
| Taxable allocation in excess of accounting allocation | (436,828) | (579,567) |
| Tax losses brought forward utilised | (27,874) | - |
| Unrelieved tax losses carried forward | <u>728,430</u> | <u>21,685</u> |
| Total current tax | - | - |

Notes to the financial statements

For the year ended 31 March 2014

8. Investments

All investments are stated at cost:

| | <i>Subsidiary Undertakings</i> | <i>Other Investments</i> | <i>Total</i> |
|------------------|------------------------------------|------------------------------|--------------|
| | £ | £ | £ |
| Cost: | | | |
| At 1 April 2013 | 6,007 | 20,186,465 | 20,192,472 |
| Additions | 110,340 | - | 110,340 |
| Disposals | (6,000) | (22,000) | (28,000) |
| At 31 March 2014 | 110,347 | 20,164,465 | 20,274,812 |

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 |
| Other investments: | | | | |
| Friends Life Group Limited | Guernsey | Ordinary shares | 0.6% | Life Assurance Holding Company |
| Resolution Operations LLP | United Kingdom | Members Capital | Nil | Investment Management Services |

The book cost of the shares held in Friends Life Group Limited at 31 March 2014, was £20,164,365 (2013: £20,164,365) and the market value was £24,691,829 (2013: £22,267,397).

Notes to the financial statements

For the year ended 31 March 2014

9. Debtors

| | 2014 £ | 2013 £ |
|--|-------------------|----------------|
| Deferred tax (note 12) | 1,282,861 | 777,517 |
| Recoverable VAT | 43,254 | 41,919 |
| Recoverable from Resolution Operations LLP | 557,280 | - |
| Other debtors | 8,188,121 | 1 |
| | <u>10,071,516</u> | <u>819,437</u> |

10. Creditors: amounts falling due within one year

| | 2014 £ | 2013 £ |
|---------------------------------------|----------------|----------------|
| Tax payable on loan interest paid | - | 97,067 |
| Trade creditors | 76,127 | 47,388 |
| Accruals and other creditors | 101,003 | 27,003 |
| Other taxes and social security costs | 76,718 | - |
| | <u>253,848</u> | <u>171,458</u> |

11. Creditors: amounts falling due after one year

| | 2014 £ | 2013 £ |
|---|-------------------|-------------------|
| Loan from Clive Cowdery, loan principal | 32,500,000 | 25,000,000 |
| Accrued interest | 1,019,371 | - |
| At 31 March | <u>33,519,371</u> | <u>25,000,000</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 LIBOR plus 3%. The loan is repayable on 13 November 2018.

Notes to the financial statements

For the year ended 31 March 2014

12. Deferred taxation

The deferred tax included in the balance sheet is as follows:

| | 2014 | 2013 |
|--|------------------|----------------|
| | £ | £ |
| Non capital tax losses carried forward | 1,035,467 | 200,670 |
| Capital tax losses carried forward | 247,394 | 535,328 |
| Company's share of unallocated profits | - | 41,519 |
| | <u>1,282,861</u> | <u>777,517</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.

On 20 March 2013 the announcement made by the Chancellor that the UK main Corporation Tax rate would reduce to 21% from 1 April 2014 was put into UK law, and was substantively enacted under the Provisional Collection of Taxes Act 1968 on 2 July 2013. A tax rate of 21% has therefore been used to calculate the deferred tax balances recognised at 31 March 2014.

13. Called up share capital

| | Number of shares | 2014 £ | 2013 £ |
|---|---------------------|---------------|---------------|
| 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. Reconciliation of shareholder's funds and movement in reserves

| | Issued Share Capital £ | Accumulated Profit/(loss) £ | Total £ |
|-------------------|------------------------------|-----------------------------------|--------------------|
| At 1 April 2013 | 10,000 | (1,906,066) | (1,896,066) |
| Loss for the year | - | (1,000,230) | (1,000,230) |
| At 31 March 2014 | <u>10,000</u> | <u>(2,906,296)</u> | <u>(2,896,296)</u> |

15. Ultimate controlling party

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