Annual Report and Accounts 2008

Resolution Limited

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Chairman's statement

I have great pleasure in presenting my first report as Chairman of Resolution Limited.

Resolution commenced trading on the London Stock Exchange just before the year end, following a successful placing with institutional investors, and I would like to extend a personal welcome to all our shareholders. The Company has a clear objective to unlock and create value for shareholders through the acquisition and restructuring of financial service businesses in the UK and Western Europe. We intend to acquire businesses in one or more of the life assurance, asset management, general insurance, banking and diversified general financial sectors.

Initially, we expect to focus on opportunities in the life assurance and asset management sectors in the UK. Opportunities elsewhere in Western Europe will be kept under review, especially in countries where industry practices and the regulatory system operate in a manner similar to that in the UK. The Company is targeting a mid-teen gross internal rate of return over the medium term from its restructuring activities, which include combining sub-scale businesses, improving cost and capital efficiencies and selling or demerging businesses outside its focused market sectors. On completion of a restructuring project we will look to realise value for shareholders through the listing, sale or demerger of the restructured business. In general, we anticipate that a restructuring project will last between two and four years.

The value opportunity

We see value opportunities arising from both the past strategies of financial services companies and from some of the current trends in the financial services industry, together with the current wider market instability. Our preferred approach is to partner with boards and management in the execution of their chosen strategy.

Years of diversification in financial services has led to the emergence of complex financial conglomerates, which often include poorly performing, fragmented and sub-scale operations. The inherent complexity of some of these groups has produced unidentified and unrewarded risks, which have led to long term underperformance and shareholder disappointment.

The regulatory environment continues to be a main driver of market restructuring. For example, banks with insurance subsidiaries are being required, as a result of the Basel II capital accords, to make partial deductions from their regulatory Tier 1 capital from 2012 onwards. Similarly, the EU Solvency II directive is likely to require owners of insurance assets to set aside more capital to reflect the risks for certain types of business.

Across the financial services industry, the prevailing market dislocation and asset price volatility has caused most financial services companies to reassess their strategies, business models and investment programmes. We are well placed to partner with the shareholders, boards and management of financial services companies who are looking to reposition their future strategy.

The placing and financing

The Company placed 660 million shares with institutional shareholders in December 2008, raising £649.6 million after fees and expenses. These funds have been invested in short-term liquidity funds with HSBC pending their deployment on acquisitions. The Board has an extremely conservative policy in respect of the investment of its cash resources.

We were delighted with investors' support for our restructuring objectives in financial services, particularly against a backdrop of uncertain equity markets where capital has become an increasingly scarce commodity. In discussing the investment opportunity with potential investors, we made it clear that substantial additional equity is likely to be required to finance acquisitions. In addition, we anticipate offering new shares in the Company to the shareholders of target companies who wish to benefit from the value that is expected to be released from Resolution's restructuring capabilities. We will also look to raise appropriate levels of borrowings to help finance and, potentially, refinance acquisitions where such finance is available on acceptable terms.

Our shareholders include many of the UK's leading institutional investors who are also significant investors in the UK financial services industry. A number of our shareholders hold over 3% of the Company's equity, representing a strong platform on which to support our future ambitions. Resolution Capital, which acted as facilitator to the placing and as adviser to the Company on its formation, has also invested £20 million in the ordinary shares of the Company.

Share price

Resolution Limited's shares were admitted to trading on the main market of the London Stock Exchange on 10 December 2008. From an issue price of 100 pence per share, the share price subsequently rose to a peak of 116 pence and settled back to 111 pence on 31 December 2008.

Corporate structure

Resolution Limited was incorporated in Guernsey on 9 October 2008. The Board has decided to outsource its administration and a number

of its operating activities. The administration and accounting have been outsourced to Northern Trust International Fund Administration Services (Guernsey) Limited, a Guernsey based company, and a number of other operating activities have been outsourced to Resolution Operations LLP, a UK limited liability partnership.

Operational management

The operating agreement between the Company and Resolution Operations LLP is for an initial period of 5 years. The scope of the activities covered by the agreement includes the identification and assessment of investment opportunities, the design and execution of restructuring plans, and the identification, assessment and execution of value realisation opportunities.

I am very pleased that the Company has been able to enter into the agreement with Resolution Operations LLP, which has a high quality and experienced management team. The senior management team comprises a number of former executive directors of Resolution plc, which was sold to Pearl Group Limited in May 2008, who have extensive experience of restructuring and operating life assurance and asset management businesses. Further, John Tiner has joined the team as Chief Executive. He brings 30 years of financial services experience to the team following his previous positions as the Chief Executive at the UK Financial Services Authority and Managing Partner at Andersen, where he was responsible for its worldwide financial services practice.

The Company pays an operating fee to Resolution Operations LLP for the services it provides. The Resolution Operations LLP partners share in the value created for shareholders by way of a 'Value Share'. The Value Share crystallises upon the completion of a restructuring project and when the capital realised by the Company has been returned to shareholders, unless shareholders vote to leave the capital in the Company to finance a further acquisition. The Value Share will represent 10% of the value created by a restructuring project, after adjusting for the risk-free rate of return. The Board believes that the financial incentives of the Resolution Operations LLP partners are closely aligned with the interests of all shareholders.

The Board and corporate governance

I am delighted that we have been able to form a strong Board with experience from across the financial services industry. The Board comprises independent non-executive directors only. The partners of Resolution Operations LLP are invited to attend most of our meetings to bring recommendations for transactions and to update the Board on market developments and progress with restructuring projects. However, all Board decisions are taken exclusively by the Board.

As a Guernsey company with a secondary listing on the London Stock Exchange, we are not required to comply with the corporate governance requirements and shareholder rights of UK publicly listed companies. However, the Board is committed to complying with these requirements, where they are appropriate. Hence, the Company has adopted the Combined Code to the extent it is appropriate and determined that shareholder approval will be required for our first major transaction which involves raising additional equity capital and all major transactions thereafter, and has granted pre-emption rights to shareholders in respect of future share issues for cash.

Dividend policy

The Company expects that returns for shareholders will derive primarily from capital appreciation of the ordinary shares and returns of proceeds from disposals, rather than from regular dividends. The Company does not expect to pay any regular annual or semi-annual dividends, at least in the short-term, but the position will be kept under review. Accordingly, no dividend is being proposed in respect of the 2008 year end.

Outlook

The Company has in place a strong Board and a highly experienced management team in Resolution Operations LLP, with a strong track record of delivering value. Following completion of the initial fund raising, the focus is now on evaluating suitable acquisition opportunities and taking the initial steps towards our first acquisition.

Michael Biggs
Chairman

Operating and financial review

Overview of results

The Company was incorporated on 9 October 2008 and consequently these financial statements cover the period from incorporation to 31 December 2008. The financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company obtained a secondary listing on the official list of the UK Listing Authority and was admitted to trading on the main market of the London Stock Exchange on 10 December 2008. The Company's related placing raised gross proceeds of £660 million. After charging initial expenses of £10.4 million the net amount raised was £649.6 million. The initial expenses estimated for the purposes of the prospectus were more conservative at £14 million.

As the Company did not complete any transactions during the short trading period the only source of income was from the investment return on cash raised in the placing. Total invested cash at 31 December 2008 was £652.6 million after the payment of some initial and general running expenses. This was invested in short term investments in accordance with the cash mandate described below. Because the mandate is intended to provide security of capital and liquidity rather than to maximise potential profits from the short-term sale of investments in the portfolio, these investments have been classified as available-for-sale under IAS39 and therefore the unrealised increase in their value at the year end of £0.5 million has been treated as a reserve movement in equity. Consequently, there is no income recorded for the period and the costs incurred from the date of the listing until the end of the year resulted in a loss of £0.7 million. It is important to note that the initial expenses of £10.4 million associated with the raising of the equity have been netted against equity rather than being reflected in the income statement.

Significant agreements

The majority of the Company's outgoings in 2008 were, in the absence of due diligence costs in respect of possible acquisitions, comprised of contractual commitments. In particular, the Company has outsourced most of its operating functions to Resolution Operations LLP for which it will pay an annual fee of 0.5% of the non-cash value of the Company subject to a minimum payment of £10 million per annum. As the Company had not completed any acquisitions in the period to 31 December 2008 the financial statements reflect the amount due, £565,000, based on the minimum payment for the period from when the Company obtained its listing until the end of the year.

Under the terms of the operating agreement with Resolution Operations LLP, due diligence costs will only become payable by the Company once the Board has approved a transaction in principle. At this stage the Company will take responsibility for any further third party costs of due diligence and execution of a transaction (subject to any limits which the Company may put on those costs). No agreements had been approved in principle by 31 December 2008 and consequently no such costs are reflected in these financial statements.

The Company has also entered into a corporate administration agreement with Northern Trust International Fund Administration Services (Guernsey) Limited covering, inter alia, secretarial services. The administrator is entitled to receive an annual fee of £175,000 which will increase to £250,000 once the first acquisition is completed together with additional fees for accounting services. The financial statements reflect the appropriate proportion of these costs from the date of admission to listing.

In addition to these agreements the Company has regular outgoings in respect of the use and protection of the Resolution name (£100,000 per annum subject to an inflationary adjustment), an investment management and custodian agreement with HSBC under which an annual fee of 10 basis points is payable based on average assets under management and directors' fees of £650,000 per annum of which £114,000 has been charged in these financial statements.

Invested cash and cash management

At 31 December 2008 the Company had £652.6 million of invested cash following the listing in December. The investment objective of the investment manager, HSBC, is to provide security of capital, liquidity and, subject to these constraints, a competitive investment return by investing in a diversified portfolio of short-term securities, instruments and obligations, which may include, subject to any limitations imposed by the Company from time to time certificates of deposit, commercial paper, medium-term notes, variable rate notes, bank deposits, bankers' acceptances, government bonds, treasury bills and corporate bonds. The investment manager may only make investments on the Company's behalf in securities denominated in sterling or that are fully hedged back into sterling. Furthermore, the current mandate requires that the securities should have a short-term credit rating of at least A1/P-1 (or its equivalent) from a recognised credit rating agency at the time of purchase and at least 80 per cent of the investments must be maintained at a credit rating of A1+/P1 (or its equivalent). The investment manager has been instructed to invest in securities which have a

maximum maturity of six months in the case of treasury bills and 100 days in the case of all other investments.

Principal risks and uncertainties

Prior to any acquisitions being undertaken by the Company, the principal risks are related to the investment of the Company's significant cash balance. Details of how this risk is managed through the investment mandate are set out above. Following an acquisition, the principal risks facing the Company will relate primarily to the nature and performance of the acquired businesses.

Details of the Company's risk management policy are given in the corporate governance report. Resolution Operations LLP is responsible for updating the risk management policy and framework, risk reports and other such reports on this subject as required by the Board or the Audit and Risk Committee in accordance with the operating agreement.

Corporate governance

Although not required to do so under Guernsey law, the directors intend to observe the requirements of the Combined Code to the extent that it is appropriate. The corporate governance report provides details of the Company's compliance with the Combined Code.

Key performance indicators

The Company will develop key performance indicators that are consistent with the nature of the businesses that it acquires to enable it to monitor and report on the performance of those businesses.

Directors, employees and employee benefits

The Company has no employees, pension schemes, share schemes or other long term incentive plans. Directors are remunerated on a fee only basis.

Board of directors

Michael Biggs Chairman, non-executive director, aged 56

Michael Biggs was Chief Financial Officer of Resolution Life Group Limited and became Group Finance Director of Resolution plc upon the merger with Britannic Group plc in 2005. In March 2007 he was promoted to the position of Group Chief Executive, in which he remained until leaving Resolution plc in May 2008. He began his career at Williams & Glyn's Bank before joining Arthur Andersen where he became a manager within the Financial Services part of the practice. In 1984, he took up a role as Manager of Finance at Hong Kong & Shanghai Banking Corporation in the UK. After three years he left to become Group Financial Controller of Morgan Grenfell, leaving the bank in 1991 to join Norwich Union as Group Financial Controller. In 1995, he became General Manager of Norwich Union's international operations and was a member of the team that demutualised and floated the Society in 1997. He was appointed Group Finance Director of Norwich Union in that year and following the merger with CGU in 2000 that created CGNU, he was made Group Executive Director responsible for CGNU's UK general insurance business. He was promoted to Group Finance Director in 2001, a position he held until he chose to leave Aviva, the renamed CGNU business, at the end of 2003.

Fergus Dunlop non-executive director, aged 50

Fergus Dunlop is a non-executive director of Signet Global Fixed Income Strategies Limited and Schroder Oriental Income Fund Limited, respectively ISE and LSE listed, as well as a non-executive director of three IK Investment Partners (Industri Kapital) Private Equity Funds. Between 2002 and 2007 Mr. Dunlop was Managing Director and Partner in Sudprojekt Gesellschaft fur Finanzanalysen (Munich) responsible for hedge fund and fund of fund advisory work, performance measurement and financial market research. From 1997 until 2001 he worked in institutional sales in Mercury Asset Management KAG (Frankfurt) (later Merrill Lynch Investment Managers KAG). Earlier in his career, from 1987, he worked for SG Warburg/Mercury Asset Management plc, where he managed a joint venture with Munich Re and headed the London branch of Mercury's German-regulated business.

Phil Hodkinson non-executive director, aged 50

Phil Hodkinson is a non-executive director of BT Group plc, Travelex Holdings Ltd, and HM Revenue and Customs and a trustee of Christian Aid and Business in the Community. From September 2001 until December 2007 he was an executive director of HBOS plc where he held a position as Group Finance Director from March 2005 until December 2007 and was Chairman of Insight Investment, part of the HBOS Group providing investment and asset management services, from January 2002 until June 2007. Prior to joining HBOS, Mr. Hodkinson worked for 17 years for Zurich Financial Services and was Chief Executive of Zurich Financial Services UK Life from November 1997. In his earlier career he worked as a consulting actuary for Duncan C Fraser & Co. Mr. Hodkinson is also Chairman of the Community Mark Independent Approvals Panel and was previously the Chairman of the ABI's Raising Standards Accreditation Scheme. He is a fellow of the Institute of Actuaries of England & Wales and a Fellow of the Chartered Institute of Bankers in Scotland.

Denise Mileham non-executive director, aged 59

Denise Mileham was previously an executive director of Kleinwort Benson (Channel Islands) Fund Services and Close Fund Services. At Kleinwort Benson, Mrs. Mileham acted as Deputy Head of Fund Services and as Head of Fund Administration. At Close Fund Services, she was a Director of New Business, running a team responsible for all aspects of new business, including marketing, sales and implementation of that new business. She joined Rea Brothers in 1997 which was subsequently purchased by Close Brothers Group in 1999, where she worked for nine years before moving to Kleinwort Benson. In her earlier career Mrs. Mileham worked in the funds department of Barclaytrust before moving to Credit Suisse, where she undertook a number of roles, including Compliance Officer in the fund administration department. She has been a Fellow of the Securities and Investment Institute since 2006. She is a member of the Institute of Directors and the Guernsey Investment Fund Association, and is a member of their technical committee. She holds or has held a number of non-executive directorships.

Peter Niven non-executive director, aged 54

Peter Niven is the Chief Executive of Guernsey Finance LBG, responsible for the promotion of the island's finance industry on the international stage. In addition, Mr. Niven holds a number of non-executive directorships, including six companies listed on the London and Channel Islands Stock Exchanges. From 1993 until 2004 Mr. Niven was a senior executive with the Lloyds TSB Group, holding a number of senior positions including Chief Executive of the Group's Offshore Financial Services Group, director of the Offshore Pension Fund, director of the Group's French banking subsidiary and director of numerous offshore trading companies. Mr. Niven is qualified as a Chartered Director and is a Fellow of the Chartered Institute of Bankers, a member of the Institute of Directors, the Guernsey Insurance Company Managers Association and the Guernsey Investment Fund Association.

Directors' report

Principal activities

Resolution Limited is a newly established Guernsey incorporated company. It intends to acquire businesses in one or more of the life assurance, asset management, general insurance, banking and diversified general financial sectors in the United Kingdom and elsewhere in Western Europe over time.

The Company has outsourced most of its operating functions, including the identification and assessment of acquisition opportunities and the design and execution of the restructuring and disposal process for acquired businesses to Resolution Operations LLP, a newly established UK limited liability partnership authorised by the UK Financial Services Authority.

Incorporation

The Company was incorporated on 9 October 2008. The Company's registered office is Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands.

Activity during the period

The Company was admitted to a secondary listing on the official list of the UK Listing Authority and was admitted to trading on the main market of the London Stock Exchange on 10 December 2008 having raised £600 million. An over-allotment option was granted to Citigroup Global Markets U.K. Equity Limited to subscribe for additional ordinary shares at the original offer price. It was exercised on 18 December 2008 raising a further £60 million. After allowing for transaction costs the total amount raised was £649.6 million. It has not announced or completed any transactions since the date of incorporation.

Results of the financial period

Results for the period are set out in the consolidated income statement.

Dividends

The Company expects that any returns for shareholders will derive primarily from capital appreciation of the ordinary shares and returns of proceeds from disposals, rather than from regular dividends. The Company does not expect to pay any regular annual or semi-annual dividends, at least in the short term, but the position will be kept under review. Accordingly no dividend is being proposed in respect of this period.

Directors

The names of the current directors are shown on the immediately preceding pages. On 29 October 2008 all of the directors were appointed to the Board of the Company. These appointments were confirmed by individual letters of appointment dated 18 November 2008.

Details of directors' interests in the Company's shares are shown in the remuneration report. Indemnity provisions are in place for the benefit of the directors, the directors of subsidiary companies and other senior officers in relation to liabilities which they may potentially incur in the course of their duties which, whilst governed by Guernsey law, are broadly consistent with the scope of directors' indemnities that would be permitted under the UK Companies Act 2006, if it applied. Apart from these indemnities no director had a material interest in any contract of significance with the Company or any of its subsidiary undertakings.

Reappointment of directors

All of the directors will be put forward for reappointment at the annual general meeting on 11 March 2009. Each of the directors is appointed to serve until his or her appointment ceases in accordance with his or her letters of appointment (which includes a six month notice provision) or the Articles of Incorporation.

Secretary

The Secretary of the Company and Group, appointed to office on 4 December 2008 is Northern Trust International Fund Administration Services (Guernsey) Limited.

Employees

At 31 December 2008 the Company and Group had no employees.

Going concern

After making enquiries the directors have formed the view, at the time of approving the financial statements, that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors believe it is appropriate to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the Company's auditors

In the case of each of the persons who are directors of the Company at the date of approval of this report so far as each director is aware, there is no relevant audit information (as defined in the Companies (Guernsey) Law, 2008 (as amended)) of which the Company's auditors are unaware and each of the directors has taken all the steps that he/she ought to have taken as a director to make

himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of the Companies (Guernsey) Law, 2008 (as amended).

Auditors

Ernst & Young LLP, being eligible, has expressed its willingness to continue in office in accordance with the Companies (Guernsey) Law, 2008 (as amended).

Substantial shareholdings

As at 28 January 2009 the Company has been notified of the following direct and indirect interests in voting rights.

	Number of Shares	% of Issued Capital
Lloyds Banking Group Plc	59,229,308	8.97
Aviva plc	50,127,155	7.60
Prudential plc group of companies	50,000,000	7.58
HSBC Holdings Plc	49,664,121	7.52
UBS Global Asset Management	33,418,023	5.06
Ameriprise Financial, Inc. (Threadneedle)	31,500,000	4.77
Fil Limited (Fidelity)	30,525,000	4.63
Legal and General Plc	21,237,000	3.22

Annual general meeting

The annual general meeting of the Group will be held on 11 March 2009 at the offices of Northern Trust International Fund Administration Service (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL.

By order of the Board,

Peter Niven
Director

29th January 2009

Corporate governance

The directors are subject to the requirements of the Guernsey Code of Practice. Under the Guernsey Code of Practice, the directors must ensure that they understand and act in accordance with their duties and the Articles and seek advice on those when necessary. In addition, the directors must ensure that:

(i) the Board has effective control of the Company;
(ii) the directors have adequate experience, expertise and resources to enable them to discharge their responsibilities as directors;
(iii) the basis on which the directors are to be remunerated is agreed or recorded in writing;
(iv) the Company keeps proper accounts and records, observes the minimum retention periods under any applicable laws and files accounts and returns as required by the Companies Law; and
(v) the Company complies with any anti-money laundering laws and requirements.

The directors must also (a) treat the Company as a separate legal entity from shareholders, directors and others and avoid conflicts of interest with the Company or deal with the Company in accordance with the Articles; (b) give continuing consideration to the Company's business and financial position and have full and up to date information on the Company; (c) consider whether to resign from office and/or to notify the Guernsey Financial Services Commission (GFSC) of the circumstances if they believe that the Company is being used for illegal purposes, trading wrongfully or breaking the law in other ways; and (d) co-operate fully with any regulatory or other authority which is entitled to information about the Company's affairs and not attempt to avoid those responsibilities by purporting to contract out of them or assigning them to others.

The Guernsey Code of Practice is not a statement of the law and a failure to comply with the Guernsey Code of Practice does not automatically make a director liable to any sanction or proceedings. However, the Guernsey courts may, and the GFSC will, take into account any breach of the Guernsey Code of Practice which is relevant to any decision which either of them has to make.

Combined Code

Although the Company is not required to comply with the FRC Combined Code on Corporate Governance it has voluntarily adopted the Combined Code to the extent that it is appropriate. During the period the Company has complied with the principles and provisions of the Combined Code with the exceptions noted below.

The Group is committed to maintaining a sound governance framework through which the strategy and objectives of the Group are set and the means of attaining these objectives and monitoring performance is determined.

Board of directors

The directors, all of whom are considered by the Board to be independent non-executives are responsible for the objective and business strategy of the Group and its overall supervision. Acquisition, divestment and other strategic decisions are considered and determined by the Board, with acquisitions and disposals being made only on the basis of recommendations from Resolution Operations LLP, unless the Board considers that it is necessary to make a disposal to ensure compliance with applicable law or regulation.

In line with the requirement of sound corporate governance there is a formal schedule of matters reserved specifically for the Board's decision. These include approval of the long term strategy and objectives of the Group, quarterly review of operational reports submitted by Resolution Operations LLP and any changes to the strategy, long term objectives and target return of the Group.

The Board is also responsible for ensuring maintenance of a sound system of internal control and risk management, the approval of any changes to the capital, corporate, management and control structure of the Group.

The terms of reference of the Board, together with those of its committees are documented formally and are updated as necessary. A Board manual has been adopted by the Board.

The Board held four meetings during the period. All directors attended these meetings with the exception of Phil Hodkinson who attended two Board meetings. The Board currently comprises a non-executive chairman and four non-executive directors, all of whom the Group determines to be independent. Should the directors have concerns which cannot be resolved about the running of the Company or a proposed action their concerns will be recorded in the board minutes.

Each of the directors has the benefit of an indemnity provided by the Company indemnifying the director against liabilities incurred in his or her office as director, in terms that are in accordance with the Companies Law and broadly with the provisions that would be permitted under the UK Companies Act 2006, if it applied.

The Combined Code recommends that the Board appoints one of its independent non-executive directors to be the senior independent director. This director should be available to shareholders should they have concerns which contact through the normal channels of chairman has failed to resolve or for which such contact is inappropriate. Whilst the Company does not currently have a senior independent director, it intends to appoint such a director in 2009.

Directors' appointment and re-election

The Company does not have a Nominations Committee as the entire Board comprises independent non-executive directors. The Board as a whole will therefore review its size, structure and composition at least annually.

The Company intends to expand the Board by appointing additional non-executive directors during the course of 2009. Appointments will be based on merit and against objective criteria, so as to maintain an appropriate balance of skills and experience on the Board.

No director has a service contract with the Company, nor are any such contracts proposed. The directors were appointed as non-executive directors on 29 October 2008 and will be put forward for reappointment at the Company's first AGM to be held on 11 March 2009. The directors' appointments were confirmed by letters of appointment dated 18 November 2008. Their letters of appointment set out the expected time commitment. The directors have confirmed that they have sufficient time to meet what is expected of them and have disclosed to the Board before appointment other significant commitments.

Each of the directors is appointed to serve until his or her appointment ceases in accordance with his or her letter of appointment (which includes a six month notice provision) or the Articles. No compensation is payable to directors on leaving office. No director has any entitlement to pensions, share options or long-term performance incentives.

The terms and conditions of appointment of directors are available for inspection by any person at the Company's registered office during normal business hours and at the AGM.

Directors' remuneration

Details of the remuneration of the directors are provided in the Remuneration report.

Information and professional development

All directors have access to the Company Secretary whose role includes ensuring that Board procedures and regulations are followed. Northern Trust International Fund Administration Services (Guernsey) Limited was appointed Company Secretary on 4 December 2008. The appointment or replacement of the Company Secretary is a matter reserved for the Board.

The Board is supplied with accurate, timely and clear information which is sufficient to enable it to discharge its duties.

All directors have received an induction on joining the Board. A programme of briefings has been initiated provided by external advisers, tailored to the requirements of individual directors to ensure their skills and knowledge are refreshed.

Directors' evaluation

The Board intends to carry out an evaluation of the performance of the Board, its committees and the directors during the next 12 months.

Audit and Risk Committee

The Audit and Risk Committee will meet at least four times a year, with the first meeting held in January 2009. It is comprised solely of non-executive directors: Phil Hodkinson (Chairman), Denise Mileham and Peter Niven.

The Committee is constituted formally with written terms of reference which are available on the Company's website. The terms of reference state that the Board will appoint Committee members and that there should be at least three independent non-executive members of the Committee with at least one member with recent and relevant experience. The Board considers that Phil Hodkinson has recent and relevant financial experience.

The Audit and Risk Committee will meet at least twice a year privately with the external independent auditors and meetings with the Committee can be requested by the external auditors at any time should they consider it necessary. The meetings will be arranged to coincide with preparation of the Company's financial statements.

A member of the Committee will also attend the AGM and be prepared to respond to any shareholder questions on the Committees' activities.

Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend for all or part of any meeting as and when appropriate to assist in the effective discharge of the Committee's duties.

Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director whose appointment is being considered remains an independent director for the period of the extension.

The responsibilities of the Audit and Risk Committee include:

- Advising the Board on the identification and management of all significant financial and non-financial risks facing the Company;
- Overseeing the implementation and maintenance of the overall risk management framework and systems of internal control of the Company, including at the appropriate point the establishment of an internal audit function;

Corporate governance (continued)

- Receiving reports from the Company's external auditors, monitoring their effectiveness and independence, and making recommendations to the Board in respect of their appointment and remuneration;
- Reviewing the Report and Accounts and other key financial statements prior to adoption by the Board and communication to shareholders;
- Monitoring, via the relevant audit committees, the financial and operational risk management arrangements of any acquired operating companies.

The work of the Audit and Risk Committee is supported by Resolution Operations LLP and by Northern Trust International Fund Administration Services (Guernsey) Limited. The Company does not currently have an internal audit function but will continue to monitor the need for such a function prior to an acquisition being made. When an internal audit function is established, the Committee will approve the appointment of the head of that function.

The Committee has considered and adopted a policy on the provision of non-audit services and procedures to protect the auditor's independence and objectivity.

Investor relations

The Company regularly enters into a dialogue with institutional shareholders and will use the AGM and the Company's website to communicate with private investors and encourage their participation. All directors are expected to attend the Company's AGM.

The Board will ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares. Further, the Board will regularly monitor the shareholder profile of the Company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders. The Board takes responsibility for, and has a direct involvement in, the content of the communications regarding major corporate issues.

The notice of the AGM and the annual report and financial statements are being sent to shareholders over 20 working days prior to the AGM.

Risk management and internal control

The Board recognises its overriding responsibility to ensure that high standards of corporate governance apply throughout the Group. It seeks to deliver continuous improvement in the governance policies and practices in operation, important strands of which relate to risk management and internal control.

The directors are responsible for the Group's system of risk management and internal control, including financial, operational and compliance controls, and for reviewing its effectiveness. Due to limitations that are inherent in any system of internal control, it is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material mis-statement or loss. The Board has prepared a risk register which highlights the following:

- Key business and financial risks faced by the Group;
- Controls and mitigating actions to reduce the potential impact of the risk; and
- Persons at Resolution Operations LLP responsible for monitoring that risk and taking action as necessary.

Resolution Operations LLP are responsible for updating the risk management policy and framework, risk reports and other such reports on this subject as required by the Board or the Audit and Risk Committee in accordance with the operating agreement.

The Board reviews the risk register regularly to keep it up to date, adding additional risks faced by the business as the business develops, and in particular, on completion of the first acquisition.

If Resolution Operations LLP or Northern Trust International Fund Administration Services (Guernsey) Limited identify risk management exceptions they are required to report these to the Audit and Risk Committee upon becoming aware of any facts or circumstances that cause it to believe that such exceptions will have a material adverse effect on the Group.

Combined Code compliance

The directors are subject to the requirements under the Guernsey Code of Practice. The directors have voluntarily adopted the requirements of the Combined Code to the extent that it is appropriate. Given the non-executive composition of the Board, certain provisions of the Combined Code, in particular the provisions relating to the composition of the Board, the division of responsibilities between the Chairman and Chief Executive and executive compensation, are not applicable.

In addition, the Group will not have a Nominations or Remuneration Committee. The Board as a whole will instead review its size, structure and composition and the scale and structure of the directors' fees, taking into account the interests of shareholders and the performance of the Company.

The Combined Code recommends that non-executive directors should be appointed for specified terms subject to re-election and to the UK Companies Act 2006 provisions relating to the removal of a director. The Board considers that the process whereby the directors are re-elected every three years provides sufficient control.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards adopted for use in the European Union (IFRS).

The directors are required to prepare consolidated financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law 2008 (as amended). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Remuneration report

The Company does not have a Remuneration Committee as the entire Board comprises independent non-executive directors. The Board as a whole reviews the directors' fees, reflecting a director's duties, responsibilities and the value of his or her time spent. The Board also takes into account the interests of shareholders and the performance of the Company. Levels of remuneration are set to be sufficient to attract, retain and motivate appropriate directors, but not more than necessary for this purpose. The Board were advised on remuneration by Resolution Operations LLP, which provides most of the Group's operating functions under an operating agreement.

The Chairman of the Company will receive a fee from the Company of £360,000 per annum. The current level of fees for each of the other directors is £50,000 per annum. Phil Hodkinson will also receive an additional fee of £50,000 per annum in respect of his services as the chairman of the Audit and Risk Committee, and other members of the Audit and Risk Committee will receive an additional £20,000 per annum each. In addition, all the directors are entitled to be reimbursed by the Company for travel, hotel and other expenses incurred by them in the course of their directors' duties relating to the Company.

Directors' interests

Save as disclosed in the table below, none of the non-executive directors nor any member of their immediate families has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

	No. of Ordinary Shares	% of Issued Share Capital
Michael Biggs	100,000	0.02%

Directors' remuneration

Non-executive directors	2008 Fees £'000
Michael Biggs	63
Fergus Dunlop	9
Phil Hodkinson	18
Denise Mileham	12
Peter Niven	12
Total	**114**

Independent auditor's report to the members of Resolution Limited

We have audited the Company's financial statements for the period ended 31 December 2008 which comprise the Statement of accounting policies, the Consolidated income statement, the Consolidated balance sheet, the Statement of changes in equity, the Consolidated statement of cashflows and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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 auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and are properly prepared in accordance with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the Company has not kept proper accounting records, if the Company's financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement, the Operating and financial review, the Directors' report, the Corporate governance statement, the Directors' responsibilities statement and the Remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of the Group's loss for the period then ended and have been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

29th January 2009

Statement of accounting policies

a. Basis of presentation

The Company was incorporated on 9 October 2008 and the Consolidated income statement covers the period from incorporation to 31 December 2008. The presentation currency of the Group is £million sterling.

The consolidated financial statements of the Group have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The preparation of the financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

All EU-listed companies are required to prepare consolidated financial statements using IFRS issued by the International Accounting Standards Board (IASB) which have been endorsed by the EU. The IASB has issued two revisions to existing standards which might materially have affected the results of the Group or the way in which those results might have been presented.

A revised version of IFRS 3: Business Combinations which has not been endorsed by the EU is applicable to accounting periods beginning on or after 1 July 2009 and an amendment to IAS 27: Consolidated and Separate Financial Statements is also effective from 1 July 2009, but has yet to be endorsed by the EU.

In addition to the above, IAS 1 was amended in 2008 with effective application required from 1 January 2009. These amendments have not been reflected in the financial statements. If the amendments had been applied they would have changed the presentation of the primary statements but not the measurement of items included therein.

b. Basis of consolidation

Consolidated accounts include all subsidiaries, associates and collective investment schemes that are controlled by the Group. The financial statements of all entities are included in the consolidated financial statements from the effective date that control commences until the date that control ceases.

Business combinations are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the asset, a gain is recognised immediately in the income statement.

c. Interests in joint ventures

The Group may enter into contractual arrangements with other parties which represent joint ventures. Where the joint venture is established through an interest in a Group, partnership or other entity (a jointly controlled entity), the Group recognises its interest in the entity's assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments.

The consolidated income statement reflects the share of the jointly controlled entity's results after tax. The consolidated statement of recognised income and expense reflects the Group's share of any income and expense recognised by the jointly controlled entity outside profit and loss.

d. Interests in associates

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in the value of individual investments. The consolidated income statement reflects the share of the associate's results after tax. The consolidated statement of recognised income and expense reflects the Group's share of any income and expense recognised by the associate outside profit and loss.

e. Goodwill

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement. The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

f. Intangible assets

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

The carrying value of intangible assets with indefinite lives is reviewed for impairment at least annually and whenever events or changes in circumstances indicate the carrying value may not be recoverable. The carrying values of intangible assets with a limited economic life are amortised over their expected useful lives. A provision for impairment will be charged when evidence of such impairment becomes apparent.

g. Assets held for sale

Where the Group completes the restructuring of businesses and expects future returns to be substantially obtained through the sale of those businesses and it meets the requirements of IFRS 5 ("Non-current Assets held for Sale and Discontinued Operations"), the individual businesses will be presented as an asset held for sale on the balance sheet.

Assets held for sale will be recognised on the balance sheet, on a portfolio basis, at the lower of their carrying value or fair value less costs of disposal. All assets and liabilities to be disposed of within the business will be included in the disposal group and no further amortisation or depreciation will be charged against those assets and liabilities. Any goodwill recognised on initial acquisition of the business will be allocated to the disposal group based on the calculation of goodwill apportioned to the disposal group's cash-generating units on initial acquisition.

h. Restructuring costs

A provision for restructuring costs is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or been made public. Future operating costs are not included in the provision.

i. Financial assets

Equities and fixed income securities are generally classified as at fair value through profit or loss ("FVPL") or financial assets available for sale ("AFS"). The classification will depend on the purpose for which the assets were acquired. Changes in the fair value of financial assets classified as FVPL are included in the income statement in the period in which they arise. Changes in the fair value of financial assets classified as AFS are recorded in a separate valuation reserve within equity.

Certain financial assets may be classified as held-to-maturity if they meet the strict criteria required for such classification. Such investments are recorded in the balance sheet at amortised cost.

The purchase and sale of financial assets are recognised by the Group on the date it commits to purchase or sell the investments, generally the trade date.

Financial assets carried at fair value are initially recognised at fair value and subsequently remeasured at fair value based on quoted bid prices where such bids are available from a third party in a liquid market. If quoted bid prices are unavailable, the fair value of the financial asset is estimated using cash flow models. Fair values for unlisted securities are derived from cash flow or other models designed to reflect the specific circumstances of the issuer. Securities for which fair value cannot be measured reliably are recognised at cost less impairment.

j. Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. After initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged and of the hedge.

k. Offsetting financial instruments

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

Statement of accounting policies (continued)

l. Derecognition of a financial asset

A transfer of a financial asset is accounted for as a derecognition only if substantially all of the asset's risks and rewards of ownership are transferred or control is transferred in the event that not substantially all of the asset's risks and rewards of ownership are transferred. However, if substantially all of the risks and rewards are retained, the asset is not derecognised. Control is transferred if the transferee has the practical ability to sell the asset unilaterally without needing to impose additional restrictions on the transfer.

m. Foreign currency translations

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value is determined.

The income statements and cash flows of foreign entities are translated into sterling at average exchange rates for the year while the balance sheets are translated at year end exchange rates. Exchange differences arising from the translation of net investment in foreign subsidiaries, associates and joint ventures are taken to the currency translation reserve within equity.

n. Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

o. Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present 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, and the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reliably estimated.

p. Investment income

Investment income comprises dividends and interest plus fair value gains and losses on financial assets classified as at fair value through profit or loss and realised losses and gains on assets classified as available for sale. Interest income is recognised in the income statement as it accrues. Dividend income is recognised in the income statement on the date the right to receive payment is established, which in the case of listed securities is the ex-dividend date.

q. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the income for the year, using tax rates and laws substantially enacted at the balance sheet date together with adjustments to tax payable in prior years.

Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided in respect of temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

r. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. After initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being amortised through the income statement over the period of the borrowings on an effective interest basis.

s. Financial instruments as equity

A financial instrument is treated as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

Incremental external costs which are directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

t. Dividends

Dividends declared by ordinary shareholders are recognised as a liability on the date of declaration and dividends declared by directors are recognised on the date of payment. Dividends are charged directly to equity.

u. Property, plant and equipment

Owner-occupied property is stated at fair value, being the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. Owner-occupied property is depreciated over its estimated useful life.

Plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the asset's estimated useful life.

v. Cash and cash equivalents

The Group's cash and cash equivalents reflected in the balance sheet include cash in hand, deposits held at banks with original maturities of three months or less and other investments which are readily convertible to cash and which are subject to an insignificant risk of changes in value. Amounts held by the investment manager are presented in the balance sheet as available-for-sale financial assets. For cash flow statement purposes, cash and cash equivalents also reflect bank overdrafts repayable on demand to the extent they form an integral part of the Group's cash management.

Consolidated income statement
for the period from 9 October 2008 to 31 December 2008

	Notes	2008 £m
Administrative expenses	1	(0.7)
Total operating expenses		**(0.7)**
Loss for the period attributable to equity holders		**(0.7)**
Attributable to:		
Ordinary shareholders		(0.7)
		(0.7)
Earnings per ordinary share		
Basic earnings per ordinary share (pence)	8	(0.11)p
Diluted earnings per ordinary share (pence)	8	(0.11)p

Consolidated balance sheet
as at 31 December 2008

	Notes	2008 £m
ASSETS		
Financial assets		
Available-for-sale	6	652.6
		652.6
Current assets		
Trade debtors and other receivables		**0.1**
Cash and cash equivalents		**1.3**
Total assets		**654.0**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	7	649.6
Retained loss	9	(0.7)
Capital reserves	9	0.5
Total equity	9	**649.4**
Liabilities		
Trade creditors and other payables	5	4.6
Total liabilities		**4.6**
Total equity and liabilities		**654.0**

The financial statements were approved by the Board of directors on 29th January 2009 and signed on its behalf by:

Peter Niven
Director

Note: All assets and liabilities are current; amounts are therefore due for settlement or recovery within 1 year.

Statement of changes in equity
for the period ended 31 December 2008

		2008 £m
Equity at start of period		–
Issue of share capital for cash, net of transaction costs		649. 6
Total recognised loss for the period	(0.7)	
Unrealised gain on investments available-for-sale	0.5	
Loss for the period attributable to equity holders		(0.2)
Equity at 31 December 2008		**649.4**

Consolidated statement of cash flows
for the period ended 31 December 2008

	2008 £m
Cash flows from operating activities	(0.7)
Movements in operating assets and liabilities	0.6
Net cash flows from operating activities	**(0.1)**
Cash flows from investing activities	
Purchase of investment securities	(658.2)
Disposal of investment securities	6.1
Net cash flows from investing activities	**(652.1)**
Cash flows from financing activities	
Proceeds from issue of ordinary share capital, net of transaction costs	653.5
Net cash flows from financing activities	**653.5**
Net increase in cash and cash equivalents	**1.3**
Cash and cash equivalents at the end of the period	**1.3**

Note: Cash and cash equivalents is comprised of bank and cash balances only.

Notes to the consolidated financial statements

1. Administrative expenses

	2008 £m
Administrative expenses	0.6
Directors' fees	0.1
Total administrative expenses	**0.7**

2. Auditor's remuneration

	2008 £'000
Fees payable to the auditor for the audit of the Group's financial statements	20
Fees for services as reporting accountants	550

3. Taxation

The Group is resident for tax purposes in Guernsey and is subject to the company standard rate of income tax in Guernsey of zero per cent.

4. Investment in subsidiary undertakings

Name	Percentage of equity and votes	Investment	Country of incorporation	Principal activity
Resolution Holdco No 1 LP	99.99%	General partner interest of £199.98	Guernsey	Holding company

5. Trade creditors and other payables

	2008 £m
Accrued expenses	4.6
	4.6

6. Financial assets

Available-for-sale	2008 Cost £m	2008 Fair value £m
Short term investments	652.1	652.6
Total available-for-sale investments	**652.1**	**652.6**

7. Share capital

The authorised share capital of the Company is represented by an unlimited number of ordinary shares of no par value.

Issued and fully paid	Number of shares	2008 £m
Share of no par value issued fully paid on incorporation	1	0.0
Shares of no par value issued for cash on initial public offering	599,999,999	600.0
Shares in respect of over-allotment	60,000,000	60.0
Transaction costs, net of income tax	–	(10.4)
	660,000,000	649.6

At 9 October 2008 the Company had share capital of one ordinary share of no par value which was issued for £1. On 10 December 2008, an additional 599,999,999 ordinary shares of no par value were allotted and issued by the Company at £1 per ordinary share.

An over-allotment option was granted to Citigroup Global Markets U.K. Equity Limited to subscribe for additional ordinary shares at the original offer price. It was exercised on 18 December 2008 with a further 60 million ordinary shares of no par value issued on that date at £1 per ordinary share.

The total amount of the transaction costs related to the issuance of shares, net of income tax, was £10.4 million.

All ordinary shares in issue in the Company rank pari passu and carry the same voting rights and rights to receive dividends and other distributions declared or paid by the Company.

8. Earnings per share

The earnings per share has been calculated on the basis of the profit and weighted average number of shares in issue, as set out below.

	2008 £m
Net loss for the period	(0.7)
Weighted average number of ordinary shares for basic earnings per share	638,181,818
Weighted average number of ordinary shares for diluted earnings per share	638,181,818

The weighted average number of ordinary shares represents the average calculated from the date of the placing of ordinary shares on 10 December 2008 in respect of the 600 million shares issued on that date and from 18 December 2008 in respect of the 60 million shares issued through the over-allotment option.

9. Statement of changes in equity attributable to equity holders of parent

	Share capital (note 7) 2008 £m	Retained loss 2008 £m	Capital reserves 2008 £m	Total 2008 £m
At start of period	–	–	–	–
Net loss	–	(0.7)	–	(0.7)
Unrealised gain on investments available-for-sale	–	–	0.5	0.5
Issue of share capital, net of transaction costs	649.6	–	–	649.6
At 31 December 2008	**649.6**	**(0.7)**	**0.5**	**649.4**

Notes to the consolidated financial statements (continued)

10. Segmental reporting

The Group has only one reporting segment being the corporate segment.

11. Related party transactions

The Company has entered into certain contracts with related parties as described below.

- An operating agreement with Resolution Operations LLP, as a result of which the Company has outsourced most of its operating functions to Resolution Operations LLP. This agreement has, subject to certain conditions, a minimum term of 5 years. Under this agreement the Company will pay an annual fee based on the value of the Company (subject to a minimum payment of £10 million) to Resolution Operations LLP. An amount of £565,000 has been included in administrative expenses and trade creditors and other payables in the financial statements in respect of amounts due to Resolution Operations LLP for the period from incorporation to the year end. In addition, the Company paid a formation fee of £1million to Resolution Operations LLP under the operating agreement, which has been included in transaction costs relating to the issue of shares in the financial statements;
- RCAP Guernsey LP, a partnership in which the members of Resolution Operations LLP are limited partners, acquired shares in the Company for a consideration of £20 million in the initial public offering. The Company has entered into a lock-up deed with RCAP GP Limited, acting in its capacity as general partner of RCAP Guernsey LP, restricting the sale of the shares held by RCAP Guernsey LP for a period of three years;
- As described in note 4, the Company has a 99.99% interest in, and is the general partner in, Resolution Holdco No 1 LP, a Guernsey limited partnership. The limited partners in this partnership are RCAP Guernsey LP and RCAP Investments SARL. The Company has entered into the partnership agreement with these parties for the purpose of making acquisitions of financial services businesses; and
- A trade mark licence agreement with Resolution (Brands) Limited, a company wholly owned by a partner of Resolution Capital Limited, under which the Group has agreed to pay a fee of £100,000 per annum for the first year of the licence, with the fee increasing each year thereafter in line with any increase in the retail price index.

12. Directors' interests

At the date of approval of the financial statements the Chairman, Michael Biggs, held 100,000 ordinary shares which represents 0.02% of the issued share capital of the Company.

13. Risk management

The principal risk is related to the investment of the Company's cash holding which amounted to £652.6 million at 31 December 2008. This risk is managed through the Board-approved investment mandate which the Company has agreed with the investment manager. The investment objective is to provide security of capital, liquidity and, subject to these constraints, a competitive investment return. This is achieved by investing in a diversified portfolio of short-term securities, instruments and obligations, which may, under the mandate, only include certificates of deposit, commercial paper, medium-term notes, variable rate notes, bank deposits, bankers' acceptances, government bonds, treasury bills and corporate bonds. Investments can only be in securities denominated in sterling or that are fully hedged back into sterling. The securities must have a short-term credit rating of at least A1/P-1 (or its equivalent) from a recognised credit rating agency at the time of purchase and at least 80 per cent of the investments must be maintained at a credit rating of A1+/ P1 (or its equivalent). Investments are restricted to securities which have a maximum maturity of six months in the case of treasury bills and 100 days in the case of other investments.

All of the investments are valued on a market bid basis and are invested in sterling-denominated investments. Of the total, £281.6 million is invested in UK treasury bills which are therefore subject principally to market risk with the balance of £371 million held in corporate bonds and certificates of deposits in accordance with the above mandate and therefore subject to both market and credit risk; £371 million is therefore the maximum exposure to credit risk. Due to the short-term nature of the investments it is not appropriate to present a sensitivity analysis as any such market risk would not be material.

Shareholder information

Registrar

Administrative enquiries concerning shareholdings in the Company should be addressed to the registrar who should also be kept informed of any change in the holder's address. The registrar can be contacted at:

Computershare Investor Services (Channel Islands) Limited
Ordnance House
31 Pier Road
St. Helier
Jersey JE4 8PW

Telephone: +44 (0) 1534 825230
Fax: +44 (0) 1534 825315

Email: info@computershareci.com

If shareholders would prefer to receive communications electronically, they may register their email address with Computershare by creating an account in the Investor Centre.

Computershare's Investor Centre is a free online service that provides shareholders with a wide variety of self-service tools to help track and manage their personal holdings in the companies they service. Investor Centre allows shareholders to manage their holdings in several different companies simultaneously.

Share price information

On 31 December 2008 the middle market price was £1.11 per ordinary share having been issued at £1 per share.

The ISIN code/SEDOL (Stock Exchange Daily Official List) number of the Company's ordinary shares is GG00B3FHW224/B3FHW22.

Share price information on Resolution Limited is available in the financial press and on the Company's website – www.resolution.gg

Annual general meeting

The annual general meeting will be held at 9 am on 11 March 2009 at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL. Shareholders will receive a separate circular containing a notice of the meeting and detailing the resolutions being proposed.

Website

The Resolution Limited website, containing company profiles and current news, can be found at www.resolution.gg

Financial calendar 2009

Preliminary announcement of 2008 results	30 January 2009
Annual general meeting	11 March 2009
Interim announcement	26 August 2009

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Investment manager
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(UK) Limited
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Company Secretary
Northern Trust International
Fund Administration Services
(Guernsey) Limited
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Registered office
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Registered number
Incorporated in Guernsey with
registered number 49558

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Facilitator and formation co-ordinator
Resolution Capital Limited
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