RGA UK Services Limited

Annual report and financial statements

31 December 2018

Incorporated in the United Kingdom and
registered in England and Wales

Registered number 03086510

Annual report and financial statements

Contents

Strategic report for the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018. RGA UK Services Limited is a private company limited by shares.

Principal activities and review of the business

The principal activity of RGA UK Services Limited, the ("Company"), is to provide management services to other members of the RGA group of companies.

The Company commenced trading as of 1 September 2000.

During 2018 management service charges were levied on the following group companies: RGA Reinsurance Company Inc., RGA International Reinsurance Company dac and RGA Americas Reinsurance Company Limited. The Company also revised the mark-ups charged on management service fees levied on the group companies.

The future growth of this business is dictated by the resource requirements of the group and the operational needs of RGA globally for resources based in the UK. The most appropriate measures of the growth of the Company are the management charges reported as Turnover in the profit and loss account and the headcount reported in note 4 of these financial statements. The main KPI monitored by management is the expenditure of the Company against a budget set as part of the Reinsurance Group of America, Incorporated group annual planning process. Actual expenditure was 11% over plan in 2018 (2017: over plan by 6%) on a management accounts basis.

As a basis for growing the RGA brand, the Company also has licence to act in an insurance intermediary role for some group companies. This will enable RGA to increase income and market share through the use of innovative products and solutions.

Beginning September 2015, the Company embarked on the development of an electronic underwriting system, Electronic Health Records, which aims to assist direct insurance writers in assessing electronic health records for underwriting purposes and had been capitalising costs since that time. During the year the Company carried out an impairment review of the asset and concluded that the carrying value of the asset is unlikely to be recoverable against future income streams. As a result the asset was partially impaired. The total amount impaired was £1,079,787.

Results for the year

The results for the year are set out on page 9. The result is a profit on ordinary activities after taxation for the year of £1,525,237 (2017: profit of £2,099,765).

Principal risks and uncertainties

The Company faces few financial risks beyond trade credit exposure to group companies to which it provides services and a degree of contractual prepayment to its landlord in terms of a property lease. When dealing with other third parties the Company seeks to minimise the quantum of prepayments made.

Strategic report for the year ended 31 December 2018 *(continued)*

Brexit
Despite considerable uncertainty and political turmoil surrounding the United Kingdom's withdrawal from the European Union ("EU") due to take place on 31 October 2019 ("Brexit"), the Company has considered the impact on its own activities and concluded that there is a low risk of either operational disruption or adverse financial impact.

The Company provides insurance intermediation activity on behalf of other members of the RGA Group. Its client base for these activities mainly consists of UK resident market counterparties and as such it does not undertake regulated cross border activity of the type which would be disrupted by either an orderly or a "hard" Brexit. In-group activities are principally undertaken on behalf of the UK branch of the group's Irish reinsurance firm. The branch has made adequate plans to ensure its continued ability to offer reinsurance to its clients post Brexit by applying for "third-country branch" status in the UK and by entering into the regulators' "temporary permissions regime" to cover the period prior to the third-county branch status being granted.

The Company is satisfied that in the circumstances Brexit will not cause material disruption or material adverse financial impact. However, management continues to keep Brexit under review.

Approved by the board and signed on its behalf by:

Simon Wainwright
Director

23 April 2019

Directors' report for the year ended 31 December 2018

The directors present their annual report, together with the financial statements and auditor's report of the Company, for the year ended 31 December 2018.

Review of the business

The directors have reviewed the business and have included their report in the Strategic report.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Dividends

The directors recommend that no dividend be paid in respect of the year to 31 December 2018 (2017: £nil).

Directors and directors' indemnity

The directors and their status were as follows:

Simon Wainwright	Managing Director
James Galloway	Executive Director
Garth Lane	Executive Director

The Company provides and maintains third-party indemnity provisions for the benefit of its directors. These were made during the year and remain in force at the date of this report.

Statement of disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' report for the year ended 31 December 2018 *(continued)*

Auditor

In accordance with section 487 of the Companies Act 2006, the Company's auditor, Deloitte LLP, will be deemed to be reappointed and therefore continue in office.

Likely future developments

In view of the imminent withdrawal of the United Kingdom from the European Union, the Company has considered the likely impact on its activities and concluded that this is of low risk. The full disclosure is included in the strategic report.

Approved by the board and signed on its behalf by:

Simon Wainwright
Director

23 April 2019

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the member of RGA UK Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of RGA UK Services Limited (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 31st December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the member of RGA UK Services Limited *(continued)*

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the member of RGA UK Services Limited *(continued)*

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Addis (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 April 2019

Profit and loss account

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover		**38,787**	33,822
Cost of sales		**(33,660)**	(29,682)
Gross profit		**5,127**	4,140
Investment income		**2**	2
Administrative expenses		**(3,087)**	(2,042)
Profit on ordinary activities before taxation	*4*	**2,042**	2,100
Tax charge on profit on ordinary activities	*6*	**(517)**	-
Profit on ordinary activities after taxation		**1,525**	2,100

There are no recognised gains or losses in the year other than those dealt with in the profit and loss account and therefore a statement of comprehensive income has not been prepared (2017: £nil). The results have all been derived from continuing operations.

The notes on pages 12 to 21 form part of these financial statements.

Balance sheet

As at 31 December 2018

	Notes		2018 £'000		2017 £'000
Fixed assets					
Intangible assets	*7*		**6,744**		9,033
Tangible assets	*8*		**695**		862
Current assets					
Debtors	*9*	**4,982**		7,654	
Cash at bank and in hand		**10,919**		7,225	
		15,901		14,879	
Creditors: amounts falling due within one year	*11*	**(10,012)**		(12,971)	
Net current assets			**5,889**		1,908
Net assets			**13,328**		11,803
Capital and reserves					
Called up share capital	*14*		**750**		750
Profit and loss account			**8,965**		7,440
Capital contribution			**3,613**		3,613
Equity shareholder's funds			**13,328**		11,803

The notes on pages 12 to 21 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 23 April 2019 and were signed on 23 April 2019 on its behalf by:

Simon Wainwright
Director

RGA UK Services Limited
Registered number 03086510

Statement of changes in equity

For the year ended 31 December 2018

	2018				2017
	Share Capital	**Capital Contribution**	**Profit and Loss**	**Shareholder's Funds**	Shareholder's Funds
	£'000	**£'000**	**£'000**	**£'000**	£'000
Opening balance	**750**	**3,613**	**7,440**	**11,803**	9,703
Retained profit / (loss) for the financial year	-	-	**1,525**	**1,525**	2,100
Closing Balance	**750**	**3,613**	**8,965**	**13,328**	11,803

The notes on pages 12 to 21 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2018

1 Statutory information

RGA UK Services Limited is a company domiciled in England and Wales, registration number 03086510. The registered office is 16th Floor, 5 Aldermanbury Square, London EC2V 7HR.

2 Accounting policies

The following accounting policies have been applied consistently during the current and prior years in dealing with items which are considered material in relation to the Company's financial statements.

(a) Going concern

The financial statements are prepared on the going concern basis and this remains an appropriate assumption in light of the current wider economic and business environment conditions particularly in light of Brexit.

The strategic report within the sections 'Principal activities and review of the business' and 'Principal risks and uncertainties' identify the nature of the Company's business and the main influences on future growth and the limited range of financial risks facing the Company. The Company maintains positive cash flow by operating a quarterly settlement cycle. Surplus funds are retained in the form of on-call interest bearing cash to minimise liquidity risk.

Neither the Company nor any members of the immediate parent group have any borrowings or hybrid forms of capital and thus no exposure to liquidity risk in relation to refinancing.

The Company is satisfied that Brexit will not cause material disruption or material adverse impact to its operations.

(b) Basis of preparation

The financial statements have been prepared in accordance with FRS 102 and with the Companies Act 2006.

The financial statements have been prepared under the historical cost accounting convention.

The Company has taken advantage of the following disclosure exemptions:

a) the requirement to prepare a statement of cash flows;

b) related party disclosures; and

c) key management personnel compensation in total.

The company has taken advantage of the exemption, under paragraph 1.12(b), from the requirement to prepare a statement of cash flows, on the basis that it is a qualifying entity and a wholly-owned subsidiary undertaking of Reinsurance Group of America, Incorporated which produces consolidated financial statements that are publicly available. In addition advantage has been taken of exemptions available under paragraph 33.1(a) on the basis that the subsidiary which is a party to the transaction is a wholly owned subsidiary, and also paragraph 33.7(a) on the basis that key management personnel and directors are the same

(c) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

(d) Revenue recognition

Turnover comprises management charges and is recognised as and when services are provided and equates to the Company's right to consideration arising from performance under its various service agreements.

Investment income comprises of interest realised on overnight money market deposits.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

2 Accounting policies *(continued)*

(e) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) and calculated by reference to tax rates and laws applicable for the period of account.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when crystallised based upon tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(f) Tangible assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and provision for impairment. Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Computers	Three years
Fixtures and fittings	Seven years

(g) Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation. Amortisation is provided to write off the cost less the estimated residual value of intangible assets by equal instalments over their estimated useful economic lives as follows:

Internal software development	7 years
Licenced software	10 years

(h) Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

(i) Equity remuneration

The Company has applied the requirements of Section 26 of FRS 102, Share-based Payments.

Equity-settled share-based payments are measured at fair value, excluding the effect of non market-based vesting conditions, at the date of grant. The fair value is expensed on a straight-line basis reflecting the underlying vesting terms of the options, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured by use of a Black-Scholes pricing model. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(j) Cash-settled remuneration

Cash-settled units are valued at the stock price on the date of award. They bear no right to stock appreciation and amounts awarded to participants are dependent on financial based performance measures. The liability is valued at market value at the balance sheet date.

(k) Foreign currencies

Foreign currency transactions are translated using exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the period.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

(m) Share capital

Ordinary shares are classed as equity.

3 Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumption that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenue and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

a) Critical accounting judgements

There were no significant judgements in accounting policies.

b) Critical accounting estimates and assumptions

i) Impairment review on intangible assets

Annually, the Company considers whether intangible assets are impaired. Where an indication of impairment is identified the recoverable value requires estimation and an impairment loss is recognised. The impairment loss recognised during the year is disclosed in note 7.

4 Profit on ordinary activities before taxation

	2018	2017
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Intangibles amortisation	**1,210**	1,210
Fixed assets depreciation	**443**	356
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**40**	37
Operating leases		
Land and buildings	**975**	980
Office equipment	**15**	28

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

5 Staff numbers and costs

	2018 No.	2017 No.
Average monthly number of persons employed by the Company in the year:		
Finance and Actuarial	82	78
Underwriting, Sales and Marketing	39	39
Administration	36	32
	157	149

	2018 £'000	2017 £'000
Staff costs, including remuneration of executive directors, incurred during the year in respect of these employees were:		
Wages and salaries	16,923	15,710
Pension contributions	1,666	1,548
Social security costs	2,472	1,370
	21,061	18,628

Directors' remuneration and transactions

	2018 £'000	2017 £'000
Directors' remuneration		
Emoluments	1,112	1,178
Company contributions to money purchase pension schemes	1	1
	1,113	1,179

	2018 No.	2017 No.
The number of directors who:		
Are members of a money purchase pension scheme	1	1
Had awards receivable in the form of shares under a long-term incentive scheme	3	3
Exercised share options	1	1

	2018 £'000	2017 £'000
Remuneration of the highest paid director:		
Emoluments	534	569
	534	569

The highest paid director did not exercise any share options in the year.

Notes to the financial statements (continued)

For the year ended 31 December 2018

6 Taxation

Tax expense included in profit

	2018 £'000	2017 £'000
Current tax:		
- UK Corporation tax on profits for the year	**496**	301
- Adjustment in respect of prior periods	**35**	(333)
Total current tax	**531**	(32)
Deferred tax:		
- Origination and reversal of timing differences	**(171)**	(23)
- Adjustment in respect of prior periods	**157**	55
Total deferred tax	**(14)**	32
Tax on profit	**517**	-

	£'000	£'000
Factors affecting tax charge for the current year:		
Profit before tax	**2,042**	2,100
Tax at 19% (2017: 19.25%)	**388**	404
Effects of:		
Timing differences	**-**	-
Permanent differences	**(63)**	(127)
Adjustments in respect of prior years	**192**	(277)
Tax charge for the year	**517**	-

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2018

7 Intangible assets

	Software	Total
	£'000	£'000
Cost		
At beginning of year	11,265	11,265
At end of year	11,265	11,265
Accumulated amortisation		
At beginning of year	2,232	2,232
Charge for the year	1,210	1,210
Impairment	1,079	1,079
At end of year	4,521	4,521
Net book value		
At 31 December 2017	9,033	9,033
At 31 December 2018	6,744	6,744

Intangible assets comprises of development costs and licenced costs. Development costs are amortised evenly over their useful lives of 7 years and licensed costs evenly over 10 years. Amortisation is included in administrative expenses in the income statement.

Development costs have been capitalised as the costs have been incurred as a result of developing internal-use software, exceed a minimum monetary threshold and have a useful life exceeding three years. These costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

During the year intangible assets in the amount of £1,079,787 (2017: £nil) were impaired on the electronic health records system.

8 Property, plant and equipment

	Computers	Fixtures and Fittings	Total
	£'000	£'000	£'000
Cost			
At beginning of year	2,775	881	3,656
Additions	276	-	276
At end of year	3,051	881	3,932
Accumulated depreciation			
At beginning of year	1,979	815	2,794
Charge for the year	423	20	443
At end of year	2,402	835	3,237
Net book value			
At 31 December 2017	796	66	862
At 31 December 2018	649	46	695

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

9 Debtors

	2018 £'000	2017 £'000
Amounts due within one year		
Amounts owed by group undertakings	**4,214**	6,531
Prepayments and accrued income	**517**	359
Corporation tax receivable	**120**	647
Deferred tax	**131**	117
	4,982	7,654

10 Deferred taxation

	2018 £'000	2017 £'000
Balance brought forward	**117**	149
Movement in the period for capital allowance	**(58)**	(107)
Impact of tax rate change	**1**	1
Movement in the period for equity remuneration	**71**	74
Deferred tax asset carried forward	**131**	117

At the end of the reporting period, there were no unused tax losses and tax credits. In addition none of the timing differences had any expiry dates.

The provision for deferred tax in the financial statements is as follows:		
In relation to capital allowances	**(416)**	(401)
In relation to cash-settled remuneration	**379**	281
In relation to share-based equity remuneration	**168**	237
Deferred tax asset	**131**	117

The amount of the net reversal of deferred tax expected to occur next year is £181,802, relating to the reversal of existing timing differences on intangible assets, cash settled remuneration and equity-settled remuneration.

The Company considers that sufficient future profits will be available to recover the deferred tax asset and therefore an asset has been recognised at 31 December 2018.

11 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to group undertakings	**-**	2,080
Accruals and deferred income	**10,012**	10,891
	10,012	12,971

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

12 Commitments

Annual amounts under non-cancellable operating leases are as follows:

	2018 Land and buildings	Other	2017 Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
In less than one year	738	18	-	-
Between two and five years	-	-	738	18
After five years	-	-	-	-

13 Share-based payments

Reinsurance Group of America, Incorporated, the ultimate parent company, is a US quoted company. It enables the subsidiary operations of Reinsurance Group of America, Incorporated, including RGA UK Services Limited to offer key members of staff access to equity-based remuneration as part of their employment packages. The types of equity remuneration provided to key staff of RGA UK Services Limited consists of equity-settled share options and stock appreciation rights and performance contingent units.

Equity-settled share option schemes

Options are exercisable at a price equal to the average quoted market price of the Reinsurance Group of America, Incorporated's shares on the date of grant. The vesting period for the SAR scheme is four years whilst the vesting period for the options issued under the previous equity-settled share option scheme is five years. If the options remain unexercised after a period of 10 years from the date of grant the options expire. Subject to exceptions in respect of death or disability during service and at retirement, options are forfeited as a result of termination of employment with the Reinsurance Group of America, Incorporated group before the options vest and vested options must be exercised within 30 days of termination. Details of all the share options granted to staff of RGA UK Services Limited during the year are as follows:

	2018 Number of share options	2018 Weighted average exercise price (in US$)	2017 Number of share options	2017 Weighted average exercise price (in US$)
Outstanding at beginning of period	59,046	72.92	61,945	64.15
Granted during the period	7,911	150.87	6,479	129.72
Exercised during the period	(3,506)	47.73	(7,896)	48.34
Transfers during the period	-	-	(1,482)	85.53
Outstanding at the end of the period	63,451	84.03	59,046	72.92
Exercisable at the end of the period	51,928	73.11	48,737	65.00

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

13 Share-based payments *(continued)*

The weighted average share price at the date of exercise for share options exercised during the period was US$47.73 (2017: US$48.34). The options outstanding at 31 December 2018 had a weighted average exercise price of US$84.03 (2017: US$72.92), and a weighted average remaining contractual life of 7.0 years (2017: 7.0 years). In 2018, options were granted on 2 March 2018. The aggregate of the estimated fair values of the options granted on that date is US$287,248. In 2017, options were granted on 3 March 2017. The aggregate of the estimated fair values of the options granted on this date is US$204,542. The inputs into the Black-Scholes model are as follows:

	2018	2017
Weighted average share price	**US$150.87**	US$129.72
Weighted average exercised price	**US$47.73**	US$48.34
Expected volatility	**21.39 %**	22.78 %
Expected life	**7.0 Years**	7.0 Years
Risk-free rate	**2.79%**	2.32%
Expected dividend yields	**1.33%**	1.26%

Other share-based payment plans

Annually since 2004 Reinsurance Group of America, Incorporated has also granted performance contingent units ("PCUs") to key employees of RGA UK Services Limited. The number granted in 2018 and 2017 are 5,266 and 5,646 respectively. The dates of grant were the same as for the share options.

Each PCU represents the right to receive from zero to two shares of Reinsurance Group of America, Incorporated common stock depending on the results of certain business performance measures over a three-year period commencing 1 January of the year of grant. The PCUs are forfeited if the employee leaves the RGA Incorporated Group, except by way of death, disability or retirement, before the expiry of three years. During the year, Nil (2017: Nil) PCUs were forfeited in the period and 5,632 (2017: 2,154) had reached the point where the right to receive shares had occurred.

For the purposes of reporting under FRS 102 the PCUs are deemed to vest over three years, commencing with the calendar year of grant, with adjustment being made to the non-market assumption for the conversion factor in light of the anticipated outcome of the performance measures. Those PCUs issued in 2015 which contain the right to receive shares in February 2018, subject to approval of the Reinsurance Group of America, Incorporated remuneration committee, were anticipated to convert at 100% for each unit. 100% has been reflected in the expense of equity remuneration recognised in 2018 (100% in 2017).

In addition, beginning 2016, Reinsurance Group of America, Incorporated commenced awarding cash-settled units ("CSUs"). The number of units awarded during the year was 3,459 (2017: 3,869).

CSUs represent a cash-based incentive program and are a percentage of the recipient's salary, valued at the stock price on the date of the award. The units are paid out after a three year performance period based on pre-prescribed metrics.

Recognition of share-based payments in the results for the year

The Company recognised total expenses of £949,954 and £589,939 related to equity-settled share-based payment transactions in 2018 and 2017 respectively. For cash-settled share-based payments transactions, the Company recognised total expenses of £590,892 (2017: £660,465) during the year.

The carrying amount at the end of the period for liabilities arising from cash-settled share-based payments transactions was £1,009,817.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

14 Called up equity share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
Ordinary shares of £1 each – 750,002 shares	**750**	750

No shares were outstanding at the beginning or end of the period.

15 Parent company

The Company is a wholly-owned subsidiary undertaking of RGA Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales located at 16th Floor, 5 Aldermanbury Square, London EC2V 7HR.

16 Ultimate parent company and controlling party

The Company's ultimate parent company and controlling party is Reinsurance Group of America, Incorporated, a company incorporated in the United States of America. Their registered office is at 16600 Swingley Ridge Road Chesterfield, Missouri 63017-1706 USA. This is the parent of the largest group of which the Company is a member and which prepares consolidated financial statements in which the Company is included. Consolidated financial statements for Reinsurance Group of America, Incorporated, are available from the aforementioned address.