

**TOWERS WATSON SOFTWARE LIMITED**

**Registered in England Number 03318544**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**



# **TOWERS WATSON SOFTWARE LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

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# **TOWERS WATSON SOFTWARE LIMITED**

## **STRATEGIC REPORT**

**For the year ended 31 December 2018**

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

### **REVIEW OF THE BUSINESS**

The directors present their review of the business for the year ended 31 December 2018.

The financial statements show profit before taxation for the year of £24,908,061 (2017 – profit of £24,402,978). Turnover for the year was £106,708,254 (2017 - £95,094,655), representing an increase of 12%. This growth is largely a reflection of the development, enhancement and broadening of the Company's portfolio of intellectual property.

During the year Saville Consulting Group Limited paid a final dividend of £4,513,814 and the cost of investment in the entity was impaired by the same amount. The company was struck off the register of companies in Jersey in April 2018.

During the year the Company has received a £6,000,000 (2017 - £nil) dividend from its subsidiary undertaking.

The directors are satisfied with the financial performance of the Company.

### **POST BALANCE SHEET EVENTS**

There have been no post balance sheet events since the year end.

### **FUTURE PROSPECTS**

The directors expect no change in the activities of the Company in future periods.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **Strategy**

The Company ensures that it is monitoring, on a monthly basis, the income generated from new sales and renewal fees. This information, where appropriate, is analysed by product fee type, destination country and compares performance to plan. The Company uses this information to carry out regular re-forecasts and manages the business accordingly.

#### **Key performance indicators**

The Company monitors the following at least on a monthly basis:

- overdue debts and takes appropriate action to ensure collection is maximised; and
- initial fees on new customers and new products to existing customers on an invoiced basis. For the twelve month period ended 31 December 2018 invoiced initial fees were £6.2m compared with £6.6m for the year ended 31 December 2017 representing a 6% decrease due to a change in pricing of certain products as a result of market demands.

#### **Principal risks and uncertainties**

The Company's activities expose it to a number of financial risks including credit risk and cash flow risk. The Company actively monitor conditions and take actions appropriately.

#### ***Credit risk***

Contracts are agreed with all clients. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis.

#### ***Foreign exchange rate risk***

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Company uses forward contracts to hedge exposure.

# TOWERS WATSON SOFTWARE LIMITED

**STRATEGIC REPORT (continued)**  
**For the year ended 31 December 2018**

## **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

### **Principal risks and uncertainties (continued)**

#### *Cash flow risk*

The directors consider the Company's exposure to other areas of financial risk such as price risk and liquidity risk to be low and any other such residual risks that remain are adequately monitored by the management and appropriate actions are taken as necessary.

#### *Data security risk*

The Company depends on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our clients, alliance partners and insurance carriers/markets. The Company's information systems, and those of our third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. Computer viruses, hackers and other external hazards, as well as improper or inadvertent staff behaviour, could expose confidential company and personal data systems and information to security breaches. Additionally, the Company has significant responsibilities to maintain the security and privacy of its clients' confidential and proprietary information and the personal data of their employees. These increasing risks, and expanding regulatory requirements regarding data security, could expose the Company to data loss, monetary and reputational damages and significant increases in compliance costs.

Many of the software applications used in the business are licenced from, and supported, upgraded and maintained by, third-party vendors. Third-party applications include enterprise cloud storage and cloud computing application services provided and maintained by third-party vendors. These applications store confidential and proprietary data of both the Company and its clients. The Company has processes designed to require third-party IT outsourcing, offsite storage and other proprietary information. However, the Company remains at risk of a data breach due to the intentional or unintentional non-compliance by a vendor's employee or agent, the breakdown of a vendor's data protection processes or a cyber-attack on a vendor's information systems. Further, the potential impact of a data breach of a third-party vendor's systems increases as more of the Company's data and that of its clients is moved into vendors' cloud storage, the Company engages in IT outsourcing or it consolidates the group of third-party vendors that provide cloud storage or other IT services.

The Company maintains policies, procedures and technological safeguards designed to protect the security and privacy of its information. However, the Company cannot entirely eliminate the risk of data security breaches, improper access to or disclosure of confidential company or personally identifiable information. The Company's technology may fail to adequately secure the private information it holds and protect it from theft, computer viruses, hackers or inadvertent loss. In such circumstances, we may be held liable to our clients, which could result in legal liability or impairment to our reputation, resulting in increased costs and/or loss of revenue. WTW has implemented and regularly review and update processes and procedures to protect against fraud or unauthorised access to or use of secured data and to prevent data loss. The ever-evolving threats mean that WTW and our third-party service providers and vendors must continually evaluate, adapt, enhance and otherwise improve our respective systems and processes, especially as WTW grows our mobile, cloud and other internet-based services.

There is no guarantee that such efforts will be adequate to safeguard against all fraud, data security breaches, operational impacts or misuses of data. For example, our policies, employee training (including phishing prevention training), procedures and technical safeguards may be insufficient to prevent or detect improper access to confidential, personal or proprietary information by employees, vendors or other third parties with otherwise legitimate access to our systems. Any future significant compromise or breach of our data security or fraud, whether external or internal, or misuse of client, colleague, supplier or company data, could result in additional significant costs, lost revenue opportunities, fines, lawsuits, and damage to our reputation with our clients and in the broader market.

# TOWERS WATSON SOFTWARE LIMITED

## STRATEGIC REPORT (continued)

For the year ended 31 December 2018

### Principal risks and uncertainties (continued)

#### *Outsourcing Risk*

As part of providing services to clients and managing the business, the Company relies on a number of third-party service providers. The ability to perform effectively depends in part on the ability of these service providers to meet their obligations, as well as on effective oversight of their performance. The quality of services could suffer or the Company could be required to incur unanticipated costs if third-party service providers do not perform as expected or their services are disrupted. This could have a material adverse effect on the business and results of operations. The Company manages this risk through processes of supplier and partner selection, onboarding and an ongoing programme of monitoring and review to ensure that our outsource partners remain appropriate.

#### *Political risk*

The Company has operations and generates income across a large number of countries which may be, or become, subject to economic or political instability. The Company manages this risk through ongoing monitoring of the economic and political situation in these countries.

Given the status of Brexit at this time, the Company is not able to predict the impact it will have on the economy, economic, regulatory and political stability, market conditions in Europe (including in the UK) or on Pound sterling, Euro or other European currencies. Any such impacts and others that cannot currently be anticipated could materially adversely affect the company and its operations. Among other things, the Company could experience lower growth in the region due to indecision as businesses hold off on generating new projects due to adverse market conditions.

The British government began negotiating the terms of the UK's future relationship with the EU in 2017 and during 2018 finalised a proposal for the terms of the U.K.'s future relationship with the EU. These terms have been accepted by the EU but as yet still require ratification in the UK parliament. While certain separation issues have been resolved, there is still significant uncertainty with respect to the terms of any future relationship. Although the Company cannot anticipate what those terms will be, it is heavily invested in and focussed on the UK in its businesses and activities; therefore, if Brexit negatively impacts the UK, it could have a materially adverse impact. In addition, Brexit may result in greater restrictions on business between the UK and EU countries and increased regulatory complexities. This and other factors could cause the need to move businesses or operations outside of the UK.

There is also uncertainty as to how the UK's access to the EU Single Market and the wider trading, legal, regulatory, tax and labour environments (especially in the UK and EU) will be impacted, including the resulting impact on the business and that of its clients. Any such changes may adversely affect the Company's operations and financial results. For example, any changes to the passporting or other regulations related to doing business in various EU countries by relying on a regulatory permission in the UK (or doing business in the UK by relying on a regulatory permission in an EU country) could increase costs of doing business, or the ability to do so.

Changes in labour laws may impact the ability to hire and retain non-UK associates in the UK or UK associates in the EU. The outcome of the referendum has also created additional uncertainty with regard to the regulation of data protection in the UK. Among other things, it is unclear whether the UK will enact legislation similar to the pending European General Data Protection Regulation after Brexit and how data transfers to and from the UK will be regulated. A change in such regulations, or other regulations, could increase costs of doing business or, in some cases, the ability to do business, and adversely impact operations and financial results. There is also a risk that other countries may decide to leave the EU and the Company cannot predict the impact that this could materially have on it.

# TOWERS WATSON SOFTWARE LIMITED

**STRATEGIC REPORT (continued)**  
**For the year ended 31 December 2018**

## **Principal risks and uncertainties (continued)**

### *Political risk (continued)*

There is also a risk that other countries may decide to leave the E.U. We cannot predict the impact that any additional countries leaving the E.U. will have on us, but any such impacts could materially adversely affect the Company.

Approved by the Board of Directors  
and signed on behalf of the Board



M S Beardall

Watson House, London Road  
Reigate, Surrey  
RH2 9PQ

25 September 2019

# **TOWERS WATSON SOFTWARE LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2018**

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2018.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is the licensing, development and continuing enhancement of its portfolio of intellectual property.

### **DIVIDENDS**

£56,000,000 dividends were paid during the year (2017 - £nil). No final dividend is proposed (2017 - £nil).

### **FUTURE PROSPECTS AND POST BALANCE SHEET EVENTS**

Details of future prospects and post balance sheet events can be found in the Strategic Report on pages 1 to 4 and forms part of this report by cross-reference.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Details of the Company's financial risk management objectives and policies can be found in the Strategic Report on pages 1 to 4 and forms part of this report by cross-reference.

### **GOING CONCERN**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, 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.

### **DIRECTORS**

The directors who served throughout the year (except where otherwise stated) were as follows:

J D Anderson

M S Beardall

C P Daugherty (Appointed 14 June 2018)

A R Lingard

### **Third party indemnity provisions**

As is permitted by the Company's Articles of Association and section 232 and 234 of the Companies Act 2006 qualifying third party indemnity provisions were in force during the period and remain in force for the benefit of the Directors (and any officers) of the Company. A fellow group Company maintains directors' liability insurance cover for the company directors and officers as permitted under the Company's Articles. Such insurance policies remained in force during the period.

# **TOWERS WATSON SOFTWARE LIMITED**

**DIRECTORS' REPORT (continued)**  
**For the year ended 31 December 2018**

## **INDEPENDENT AUDITOR AND STATEMENT OF PROVISION OF INFORMATION TO THE INDEPENDENT AUDITOR**

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and will be reappointed as auditor for the next year.

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/she ought to have taken as a director in order to make himself/herself 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 section 418 of the Companies Act 2006.

Approved by the Board of Directors  
and signed on behalf of the Board



M S Beardall

Watson House, London Road  
Reigate, Surrey  
RH2 9PQ

25 September 2019



# **TOWERS WATSON SOFTWARE LIMITED**

**For the year ended 31 December 2018**

## **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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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; 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 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 MEMBERS OF TOWERS WATSON SOFTWARE LIMITED**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Towers Watson Software Limited (the 'company') which comprise:

- give a true and fair view of the state of the company's affairs as at 31 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 18.

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 MEMBERS OF TOWERS WATSON SOFTWARE 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWERS WATSON SOFTWARE LIMITED (continued)**

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



**Robert Knight, FCA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Crawley  
United Kingdom

25 September 2019

# TOWERS WATSON SOFTWARE LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2018

	Notes	2018 £	2017 £
<b>TURNOVER</b>	3	106,708,254	95,094,655
Staff costs	6	(19,904,014)	(17,069,029)
Amortisation	4	(15,206,765)	(15,707,493)
Other operating charges		(52,710,841)	(40,157,271)
<b>OPERATING PROFIT</b>		18,886,634	22,160,862
Investment Impairment	4	(4,528,652)	—
Income from subsidiary undertakings		10,513,814	—
Income from sale of business		—	1,681,071
Interest receivable and similar income	7	36,265	715,129
Interest payable and similar charges	8	—	(154,084)
<b>PROFIT BEFORE TAXATION</b>	4	24,908,061	24,402,978
Tax credit/(charge) on profit	9	65,648	(4,666,091)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>24,973,709</u>	<u>19,736,887</u>

All results are from continuing operations.

There are no recognised gains and losses for the current or preceding financial year other than the profit shown above. Therefore, a statement of comprehensive income is not presented.

# TOWERS WATSON SOFTWARE LIMITED

## BALANCE SHEET

Company Registration Number 03318544

As at 31 December 2018

	<u>Notes</u>	<u>2018</u> £	<u>2017</u> £
<b>FIXED ASSETS</b>			
Intangible assets	10	37,538,849	52,745,614
Investments	11	3,653,163	8,191,640
		<u>41,192,012</u>	<u>60,937,254</u>
<b>CURRENT ASSETS</b>			
Debtors	12	61,138,255	89,785,470
Cash at bank and in hand		1,441,861	950,752
		<u>62,580,116</u>	<u>90,736,222</u>
<b>Creditors: amounts falling due within one year</b>	13	(73,423,080)	(90,225,778)
		<u>(10,842,964)</u>	<u>510,444</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		<u>30,349,048</u>	<u>61,447,698</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>30,349,048</u>	<u>61,447,698</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	14	394	394
Share premium account	14	11,935,182	11,935,182
Profit and loss account		18,413,472	49,512,122
		<u>30,349,048</u>	<u>61,447,698</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>30,349,048</u>	<u>61,447,698</u>

These financial statements of Towers Watson Software Limited (registered number 03318544) were approved by the Board of Directors and authorised for issue on 25 September 2019. They were signed on its behalf by:



M S Beardall  
Director

# TOWERS WATSON SOFTWARE LIMITED

## STATEMENT OF CHANGES IN EQUITY

As at 31 December 2018

### Equity attributable to equity shareholders' of the Company

	<u>Notes</u>	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2017		394	11,935,182	29,946,452	41,882,028
Profit for the year		—	—	19,736,887	19,736,887
Total comprehensive income		—	—	19,736,887	19,736,887
Equity settled share-based payments	18	—	—	(171,217)	(171,217)
At 31 December 2017		394	11,935,182	49,512,122	61,447,698
Profit for the year		—	—	24,973,709	24,973,709
Total comprehensive income		—	—	24,973,709	24,973,709
Equity settled share-based payments	18	—	—	(72,359)	(72,359)
Dividends paid		—	—	(56,000,000)	(56,000,000)
At 31 December 2018		394	11,935,182	18,413,472	30,349,048

# TOWERS WATSON SOFTWARE LIMITED

## Notes to the financial statements for the year ended 31 December 2018

### 1. ACCOUNTING POLICIES

Towers Watson Software Limited is a private company limited by shares, domiciled and incorporated in England. The address of the Company's registered office is Watson House, London Road, Reigate, Surrey, RH2 9PQ. The Company's principal place of business is Watson House, London Road, Reigate, Surrey, RH2 9PQ.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the requirements of the Companies Act 2006 including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

The principal accounting policies adopted are described below and have been applied consistently in the current and prior year.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to share based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### a. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements by being part of a cash pooling arrangement managed by the group treasury function which reviews the Company's forecasts and projections, taking account of reasonably possible changes in interest rate, and shows that the Company should be able to operate within the level of its current arrangement.

The ultimate parent undertaking, Willis Towers Watson plc, has confirmed that it will provide adequate finance for the foreseeable future and at least for the twelve months from the date on which the financial statements are signed. On this basis, the directors are satisfied that the Company is a going concern.

#### b. Consolidation

The Company is exempt under section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements, provided certain conditions are met. The Company and its subsidiaries are included in the consolidated audited financial statements of Willis Towers Watson plc for the year ended 31 December 2018, which is resident in The Republic of Ireland. Its financial statements are drawn-up in a manner considered to be equivalent to UK GAAP consolidated financial statements, as required by the EU Seventh Directive. These financial statements therefore present the financial position and financial performance of the Company as a single entity.

#### c. Cash flow statement

The Company has taken advantage of the exemption within Financial Reporting Standard 102 1.12(b) not to produce a cash flow statement as the consolidated financial statements of its ultimate parent undertaking are publicly available.

#### d. Investments

Investments are stated at cost less provisions for impairment.



# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 1. ACCOUNTING POLICIES (continued)

### e. Intangible assets - purchased rights to conduct business and licensing arrangements

Intangible fixed assets relate to the purchased rights to conduct business and licensing arrangements and are amortised on a straight-line basis over the estimated useful life of the asset.

	Rate of amortisation	Months of amortisation remaining
Intangible assets	between 10-33 1/3 %* per annum	0 - 76 months

\* Whilst the majority of intangible assets are depreciated between 10-33 1/3 %, at each acquisition date, all acquisitions are assessed individually, some small acquisitions were assessed to have had a lives between 12 and 6 months.

Provision is made for any impairment.

### f. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at 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 the financial statements. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are regarded as recoverable and recognised only to the extent that, on the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax is charged or credited in the profit or loss account, except when it relates to items charged or credited to other comprehensive income or equity, then the tax follows the transaction.

### g. Revenue Recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, whether the Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

Revenue represents the invoiced value of goods and services supplied by the Company, net of goods and sales tax, trade discounts and rechargeable expenses.

#### *Rendering of services*

Revenue is recognised in line with performance under the contracts to the extent that a right to consideration exists.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

#### *Licence fee income*

Initial fee income is recognised at inception and annual fees are recognised over the licence or usage period.

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 1. ACCOUNTING POLICIES (continued)

### g. Revenue Recognition (continued)

#### *Royalty income*

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

#### *Dividends*

Dividends are recognised when the Company's right to receive payment is established.

#### *Interest income*

Revenue is recognised as interest accrues.

### h. Research and development

Expenditure on research and development is written off against profits in the financial year in which it is incurred.

### i. Pension contributions

The Company participates in a defined benefit pension scheme, the Towers Watson Pension scheme, which require contributions to be made to separately administered funds. The pension scheme has both defined benefit and defined contribution section, the Company only has active members of the defined contribution section.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### j. Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused entitlement to holiday pay is recognised in the period in which the employees' services are received.

### k. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see note 17).

### l. Financial instruments

The Company has elected to apply the provisions of section 11 "Basic Financial Instruments" and section 12 "Other Financial Instruments Issues" of FRS 102 in full to all of its financial instruments.

#### *Financial assets and liabilities*

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 1. ACCOUNTING POLICIES (continued)

### 1. Financial instruments (continued)

- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

### *Financial assets and liabilities (continued)*

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

### *Financial assets*

*Debtors - short term debtors*, being amounts due with one year, and which do not constitute a financing transaction are initially recognised at the transaction price. They are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

### *Financial liabilities and equity*

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

### *Equity instruments*

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

*Creditors - Amounts payable within one year* that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at the amortised cost, being the transaction price less any amounts settled.

### *Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 1. ACCOUNTING POLICIES (continued)

### l. Financial instruments (continued)

#### Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

### m. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

#### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

#### *Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

### n. Share-based payment

The ultimate parent company issues equity-settled share options to certain employees within the group. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, 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 the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### *Critical judgements in applying the Company's accounting policies*

The following critical judgement, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### **Revenue recognition**

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

### *Key sources of estimation uncertainty*

#### **Intangible assets - impairment**

Determining whether an intangible assets are impaired requires an estimation of the value in use .

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates, the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease. An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply. The carrying amount of intangibles at the balance sheet date was £37,538,849 ( 2017 - £52,745,614 ), no impairment indicators were identified during the year.

#### **Investment impairment**

Determining whether an investment is impaired requires an estimation of the value in use of the entity in which the Company is invested and its underlying subsidiaries. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investee and its underlying subsidiaries and a suitable discount rate in order to calculate present value. The carrying amount of investments at the balance sheet date was £3,653,163, an impairment of £4,528,652 identified during the year.

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 3. TURNOVER

	2018	2017
	%	%
<b>Analysis of turnover by geography</b>		
United Kingdom	33%	25%
Europe	32%	36%
Americas	23%	26%
Rest of the world	12%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Turnover by revenue stream</b>		
Royalties, licence fees and maintenance	98%	94%
Consulting	2%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## 4. PROFIT BEFORE TAXATION

	2018	2017
	£	£
Profit before taxation is stated after charging / (crediting):		
Amortisation of intangible fixed assets	15,206,765	15,707,493
Investment impairment	4,528,652	—
Research and development	44,786,767	35,547,070
Foreign exchange (gains)	(609,384)	(767,089)
	<b>15,892,795</b>	<b>15,247,474</b>

The auditor's remuneration for the audit of the financial statements of the Company for the current year of £35,000 (2017 - £49,000) was borne by a parent undertaking.

## 5. DIRECTORS' REMUNERATION

	2018	2017
	£'000	£'000
Emoluments	1,917	284
Contributions to defined contribution pension scheme	36	4
	<b>1,953</b>	<b>288</b>

During the year one directors (2017 - 2) received shares under long-term incentive schemes. One director (2017 - 1) was a member of a defined contribution scheme.

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 5. DIRECTORS' REMUNERATION (continued)

### Highest paid director

	2018 £'000	2017 £'000
Emoluments	691	100
	<u>691</u>	<u>100</u>

The director received shares in the period under a long-term incentive scheme (2017 - 1).

## 6. STAFF COSTS

	2018 £	2017 £
The aggregate staff costs were as following		
Wages and salaries	16,266,109	14,105,587
Social security costs	2,149,817	1,705,114
Pension costs	1,462,414	1,245,620
Other benefits	25,674	12,708
	<u>19,904,014</u>	<u>17,069,029</u>

	2018 No.	2017 No.
The monthly average number of employees		
Product specialists and consultants	136	128
Administration	17	17
Total employee numbers	<u>153</u>	<u>145</u>

## 7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Bank	7,213	1,810
Group undertakings	29,052	713,319
	<u>36,265</u>	<u>715,129</u>

## 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £	2017 £
Group undertakings	—	154,084
	<u>—</u>	<u>154,084</u>

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 9. TAX CHARGE ON PROFIT

The rate of UK corporation tax for the year is 19% (2017 - 19.25%).

	2018	2017
	£	£
<b>Current tax</b>		
UK corporation tax payable at 19% (2017 - 19.25%)		
Current tax charge for the year	2,889,383	4,666,091
Prior year tax for the year	(2,955,031)	—
<b>Total tax (credit) / charge for the year</b>	<u>(65,648)</u>	<u>4,666,091</u>

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 19% (2017 - 19.25%, being 20% for the period 1 January 2017 to 31 March 2017 and 19% for the period 1 April 2017 to 31 December 2017). The differences are explained below.

	2018	2017
	£	£
Profit before tax	24,908,061	24,402,978
UK corporation tax charge for the year at 19% (2017 - 19.25%)	4,732,532	4,697,573
Expenditure not deductible for tax purposes	869,652	(31,482)
Income received not taxed	(2,013,336)	—
R&D tax credits	(699,465)	—
Adjustment in respect of prior year	(2,955,031)	—
<b>Total tax charge for the year</b>	<u>(65,648)</u>	<u>4,666,091</u>

## 10. INTANGIBLE FIXED ASSETS

	Cost	Amortisation	Net book value
	£	£	£
<b>Intangible fixed assets</b>			
At beginning of year	88,930,217	(36,184,603)	52,745,614
Charge for the year	—	(15,206,765)	(15,206,765)
<b>At end of year</b>	<u>88,930,217</u>	<u>(51,391,368)</u>	<u>37,538,849</u>



# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 11. FIXED ASSET INVESTMENTS

	2018
	£
<b>Shares in group undertakings</b>	
<b>Cost</b>	
At beginning of year	46,632,793
Share buy back	(9,825)
Disposals	(42,969,805)
At end of year	<u>3,653,163</u>
<b>Impairment</b>	
At beginning of year	(38,441,153)
Impairment	(4,528,652)
Disposals	42,969,805
At end of year	<u>—</u>
<b>Net book value</b>	
At beginning of year	<u>8,191,640</u>
At end of year	<u><u>3,653,163</u></u>

During the year a wholly owned subsidiary, Saville Consulting Group Limited paid a final dividend of £4,513,814, shares of £9,825 were bought back and the cost of investment in the entity was impaired by £4,528,652. The company was struck off the register of companies in Jersey in April 2018 and as a result disposed of at a cost of £42,969,805 and impairment of £42,969,805.

The Company holds, directly, the issued ordinary share capital of the companies set out below in the proportions shown. Voting rights in these companies are held in the same proportion.

Direct - Subsidiary undertakings	Holding	Registered office	Nature of business
Saville Assessment Limited	100%	Watson House, London Road, Reigate, Surrey, RH2 9PQ, England	On-line assessment for recruitment
Direct - Subsidiary undertakings	Holding	Registered office	Nature of business
Saville Consulting Limited	100%	Watson House, London Road, Reigate, Surrey, RH2 9PQ, England	Dormant

## 12. DEBTORS

	2018	2017
	£	£
Trade debtors	27,955,654	26,740,801
Amounts owed by group undertakings	33,092,813	62,578,633
Corporation tax recoverable	35	324,161
Prepayments	89,753	141,875
	<u>61,138,255</u>	<u>89,785,470</u>

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 13. CREDITORS: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	79,299	36,873
Amounts owed to group undertakings	14,811,365	32,620,074
Intercompany - derivative payable	—	31,412
Other creditors - other taxes	2,245,613	2,193,835
Corporation tax	3,588,848	4,914,869
Accruals and deferred income	52,697,955	50,428,715
	<u>73,423,080</u>	<u>90,225,778</u>

## 14. CALLED UP SHARE CAPITAL AND RESERVES

	2018	2017
	£	£
<b>Called-up, allotted and fully paid</b>		
394 (2017 - 394) Ordinary shares of £1 each	<u>394</u>	<u>394</u>

The Company has one class of ordinary shares which carry no right to fixed income.

A dividend on £56,000,000 (2017 - £nil) was paid during the year.

The Company's other reserves comprise:

- the share premium account which represents the premium arising on the issue of equity shares, net of issue expenses.
- the profit and loss reserve which represents cumulative profits or losses, net of dividends paid and other adjustments.

## 15. RELATED PARTY TRANSACTIONS

The Company has taken advantage, as a 100% owned subsidiary, of the exemption under Financial Reporting Standard FRS102 1.12(e), from disclosure of transactions and balances with group companies. Accordingly, transactions with Willis Towers Watson plc. and its subsidiary undertakings are not disclosed separately.

## 16. ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY

The Company is a subsidiary of Towers Watson Global 2 Limited, whose registered office is Watson House, London Road, Reigate, Surrey, RH2 9PQ, England.

The ultimate parent company and controlling entity is Willis Towers Watson plc whose registered office is Willis Towers Watson plc, Elm Park, Merrion Road, Dublin 4, The Republic of Ireland and listed on NASDAQ Global Select Market.

The largest and smallest group into which the Company's financial statements are consolidated is Willis Towers Watson plc.

Consolidated financial statements of Willis Towers Watson plc. for the year ended 31 December 2018 are available on the Willis Towers Watson website at: [www.willistowerswatson.com](http://www.willistowerswatson.com).

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 17. FORWARD EXCHANGE CONTRACTS

### Forward foreign currency contracts

The contracts are valued based on available market data. The Company does not adopt hedge accounting for forward exchange contracts and, consequently, a fair value losses of £nil (2017 - loss £1,687,000) are recognised in profit and loss.

At the period end, the total carrying amount of outstanding foreign exchange forward contracts that the Company has committed to are as follows:

	Average contractual exchange rate		Notional value		Fair value	
	2018	2017	2018	2017	2018	2017
	Rate	Rate	£	£	£	£
Buy EUR						
< 3 months	n/a	1.12	—	6,800,000	—	(4,000)
Sell EUR						
< 3 months	n/a	n/a	—	—	—	—
Sell USD						
< 3 months	n/a	1.34	—	5,100,000	—	(27,000)
			—	11,900,000	—	(31,000)

## 18. SHARE-BASED PAYMENTS

The ultimate parent company, Willis Towers Watson plc operates several share based payment schemes, for which UK employees participate.

### Scheme 1

#### The Select Equity Plan ('SEP')

Certain employees of the Company have been invited to participate in The Select Equity Plan during 2015. In accordance with FRS102 26, the Company accounts for this scheme as an equity-settled share-based payment scheme. Following the merger with the Willis Group no further SEP's have been issued.

The 2015 award vests rateably over the financial years ending 30 June 2016, 2017 and 2018. The condition to full entitlement is to remain in service for the three years post the award, however, if a participant leaves prior to completion of the full three year service period they are entitled to the portion that has vested. As an RSU, the option price is £nil. On 12 September 2015, 1,887 RSU's were issued with a grant date fair value of \$119.30 per share. A forfeiture rate of 5% was assumed.

# TOWERS WATSON SOFTWARE LIMITED

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 18. SHARE-BASED PAYMENTS (continued)

Details of the SEP schemes are as follows:

	<b>2015 Award</b>
Grant date fair value	<u>\$ 119.30</u>
<b>Unvested RSU's</b>	No.
At 1 January 2018	629
Exercisable during the year	<u>(629)</u>
At 31 December 2018	<u>—</u>
Exercisable at the period end	<u>—</u>
Exercise price on date of vesting	<u>\$ 151.60</u>

The Company recognised total expenses in the year to 31 December 2018 of £2,701 (2017 - £183,925) related to equity settled share based payment transactions.