RGA UK Services Limited

Annual report and financial statements

For the year ended 31 December 2019

Incorporated in the United Kingdom and
registered in England and Wales

Registered number 03086510

Annual report and financial statements

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Strategic report for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019. 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 2019 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 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.

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. Following an initial partial impairment in 2018 the Company carried out further impairment review of the asset during the year and concluded that the carrying value of the asset was unlikely to be recoverable against future revenue streams. As a result of this the asset was fully impaired. The total amount impaired was £2,995,571.

Key performance indicator

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 9% over plan in 2019 (2018: over plan by 11%) on a management reporting basis.

Results for the year

The results for the year are set out on page 10. The result is a profit on ordinary activities after taxation for the year of £3,491,673 (2018: profit of £1,525,237).

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 2019 *(continued)*

Brexit

Given the withdrawal of the United Kingdom ("UK") from the European Union ("EU") on the 31 January 2020 ("Brexit"), the Company considers the impact on its activities to be a low risk of operational disruption and 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. In-group activities are principally undertaken on behalf of the UK branch of RGA International Reinsurance Company dac ("RGAI"), the group's Irish reinsurance firm and an RGA group owned closed book life insurance consolidator Omnilife. The RGAI 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.

Omnilife has also taken steps to mitigate the impact of Brexit.

The Company is satisfied that in the circumstances Brexit will not cause material disruption or material adverse financial impact. The EU and UK has negotiated the UK remaining in the European Economic Area ("EEA") single market until the end of 2020. While not immune to any broader challenges faced by the UK in the event of a failure between the EU and UK to negotiate a Free Trade Agreement we do not consider such an event to present any material risk of operational disruption or adverse financial impact.

The situation remains under continual review by the Company's management.

Subsequent event

The financial and operational impact of the novel coronavirus (also referred to as COVID-19) outbreak continues to develop rapidly. The company has strong business continuity plans, which have been invoked to meet the UK Government guidance, to accommodate the operational impacts. We do not believe the company will need to take advantage of any of the support available from the UK Government.

Strategic report for the year ended 31 December 2019 *(continued)*

Section 172(1) statement

The directors of the Company continue to have regard to the interest of the Company's stakeholders, including the impact of its activities on its employees, the community, the environment and the Company's reputation, when making decisions. The Directors of the Company have acted in accordance with their duties codified in law, in particular their duty to act in a way in which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its member as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

The Directors of the Company are also directors of its parent company, RGA Holdings Limited, which helps the Company's Managing Director to manage the Group's operation and implement the Group's strategy and in doing so (amongst other matters) took into account:

a) the likely consequences of any decisions in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationships with fellow group companies;

d) the impact of the Company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly with the shareholder of the Company.

The principal activity of the Company is the provision of management services to other group companies. The Director's acknowledge that it is sometimes necessary, for the sustainability of the business as a whole, to reorganise the Company's operational model and enter into agreements with other group companies. The Directors engage with its stakeholders in making those decisions.

The Board also reviews management information on financial and operational performance as well as information covering key risks and regulatory compliance. The Board reviews and approves the company's strategy and any significant changes to the business.

As result of these activities the Board has an overview of engagement with stakeholders, and other relevant factors which enables the Directors to comply with their legal duty under the act.

Approved by the board and signed on its behalf by:

Simon Wainwright
Director

4 May 2020

Directors' report for the year ended 31 December 2019

The directors present their annual report, together with the financial statements and auditor's report of the Company, for the year ended 31 December 2019.

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 2019 (2018: £nil).

Directors and directors' indemnity

The directors and their status, throughout the year and at the date of this report 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report for the year ended 31 December 2019 *(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

4 May 2020

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 year.

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 2019 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, ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
[illegible] May 2020

Profit and loss account

For the year ended 31 December 2019

	Notes	**2019** **£'000**	2018 £'000
Turnover		**50,905**	38,787
Cost of sales		**(41,861)**	(33,660)
Gross profit		**9,044**	5,127
Investment income		**3**	2
Administrative expenses		**(4,692)**	(3,087)
Profit on ordinary activities before taxation	*4*	**4,355**	2,042
Tax charge for the year	*6*	**(863)**	(517)
Profit for the financial year		**3,492**	1,525

The results have all been derived from continuing operations. There was no other comprehensive income recognised for the year (2018: £nil).

The notes on pages 13 to 25 form part of these financial statements.

Balance sheet

As at 31 December 2019

	Notes		2019 £'000		2018 £'000
Fixed assets					
Intangible assets	*7*		**7,761**		6,744
Tangible assets	*8*		**961**		695
Investments			**75**		-
Current assets					
Debtors	*9*	**8,907**		4,982	
Cash at bank and in hand		**11,378**		10,919	
		20,285		15,901	
Creditors: amounts falling due within one year	*11*	**(12,262)**		(10,012)	
Net current assets			**8,023**		5,889
Total assets less current liabilities			**16,820**		13,328
Capital and reserves					
Called up equity share capital	*14*		**750**		750
Profit and loss account			**12,457**		8,965
Capital contribution			**3,613**		3,613
Equity shareholder's funds			**16,820**		13,328

The notes on pages 13 to 25 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2020 and were signed on 4 May 2020 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 2019

	Share Capital	Capital Contribution	Profit and Loss	Shareholder's Funds
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 January 2018	**750**	**3,613**	**7440**	**11,803**
Profit for the financial year	**-**	**-**	**1,525**	**1,525**
Balance as at 31 December 2018 and 1 January 2019	**750**	**3,613**	**8,965**	**13,328**
Profit for the financial year	**-**	**-**	**3,492**	**3,492**
Balance as at 31 December 2019	**750**	**3,613**	**12,457**	**16,820**

The notes on pages 13 to 25 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

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 Summary of significant 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) 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.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The Company has taken advantage of the following disclosure exemptions:

a) from the requirement to prepare a statement of cash flows, as provided under paragraph 1.12(b), on the basis that it is a qualifying entity and a wholly-owned subsidiary undertaking of Reinsurance Group of America, Inc. which produces consolidated financial statements that are publicly available;

b) from the financial instruments disclosures, required under sections 11 and 12;

c) from the requirement to disclose transactions between related parties, as provided under paragraph 33.1(a) on the basis that the subsidiary which is a party to the transaction is a wholly owned subsidiary; and

d) from disclosing key management personnel compensation, as required under paragraph 33.7.

(b) 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.

The global impact of the novel coronavirus (also referred to as COVID-19) outbreak continues to develop rapidly. Although the Company is not currently aware of any material impact on its operations it continues to monitor the situation. The Company derives most of its business from RGA International Reinsurance Company dac whose financial statements has been approved on a going concern basis. The extent to which the Company's future results are affected by the novel coronavirus will largely depend on, among other factors, new information which may emerge concerning its severity and the actions undertaken to contain or treat its symptoms.

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

2 Summary of significant accounting policies *(continued)*

(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.

(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 year 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 years 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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

2 Sum of significant accounting policies *(continued)*

(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 year.

(l) Cash and cash equivalents

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

(m) Financial instruments

The Company has chosen to adopt Section 11 of FRS 102 in respect of financial instruments. Basic financial assets, including trade and other receivables, cash and bank balances and basic financial liabilities including trade and other payables are initially recognised at transaction price.

Such assets and liabilities are subsequently carried at their undiscounted amount.

At the end of each reporting period financial assets and liabilities are measured at the undiscounted amount of the cash or other consideration expected to be received or paid.

Financial assets and liabilities are derecognised when those assets or liabilities are settled.

(n) Share capital

Ordinary shares are classed as equity.

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

a) Critical accounting judgements

There were no significant judgements in accounting policies.

b) Critical accounting estimates and assumptions

Impairment review on intangible assets

Annually, the Company considers whether intangible assets are impaired. The following are the key considerations in determining whether an asset might be impaired:

a) whether the expected useful life is still valid;

b) whether the current estimated placed in service date (s) still valid;

c) whether there are changes in expected internal development costs;

d) whether the asset is still expected to provide substantial service potential:

e) whether there has been changes to extent or manner in which the asset is being used; and

f) whether previously capitalised costs are still expected to have further benefit.

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

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation is stated after charging:		
Intangibles amortisation	**4,718**	1,210
Fixed assets depreciation	**497**	443
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**42**	40
Operating leases		
Land and buildings	**1,192**	975
Office equipment	**39**	15

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

5 Staff numbers and costs

	2019 No.	2018 No.
Average monthly number of persons employed by the Company in the year:		
Finance and Actuarial	**91**	82
Underwriting, Sales and Marketing	**38**	39
Administration	**43**	36
	172	157

	2019 £'000	2018 £'000
Staff costs, including remuneration of executive directors, incurred during the year in respect of these employees were:		
Wages and salaries	**20,334**	16,923
Pension contributions	**1,943**	1,666
Social security costs	**2,807**	2,472
	25,084	21,061

Directors' remuneration and transactions

	2019 £'000	2018 £'000
Directors' remuneration		
Emoluments	**1,325**	1,112
Company contributions to money purchase pension schemes	**1**	1
	1,326	1,113

	2019 No.	2018 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

	2019 £'000	2018 £'000
Remuneration of the highest paid director:		
Emoluments	**622**	534
	622	534

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 2019

6 Taxation

Tax expense included in profit

	2019	2018
	£'000	£'000
Current tax:		
- UK Corporation tax on profits for the year	**1,490**	496
- Adjustment in respect of prior years	**48**	35
Total current tax	**1,538**	531
Deferred tax:		
- Origination and reversal of timing differences	**(682)**	(171)
- Adjustment in respect of prior years	**7**	157
Total deferred tax	**(674)**	(14)
Tax on profit	**863**	517

	£'000	£'000
Factors affecting tax charge for the current year:		
Profit before tax	**4,355**	2,042
Tax at 19% (2018: 19%)	**827**	388
Effects of:		
Timing differences	**-**	-
Permanent differences	**(19)**	(63)
Adjustments in respect of prior years	**55**	192
Tax charge for the year	**863**	517

The tax rate for the current year is 19%. 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 2019

7 Intangible assets

	Software	Total
	£'000	**£'000**
Cost		
At beginning of year	11,265	11,265
Additions	5,736	5,736
At end of year	17,001	17,001
Accumulated amortisation		
At beginning of year	4,521	4,521
Charge for the year	1,723	1,723
Impairment	2,996	2,996
At end of year	9,240	9,240
Net book value		
At 31 December 2018	6,744	6,744
At 31 December 2019	7,761	7,761

Intangible assets comprise 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 profit and loss account.

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 an impairment review was carried out on all software assets and it was concluded that an asset, Electronic Health Records System had no future income streams to support the on-going maintenance and development of the asset, therefore a decision was made to fully impair the asset. The total amount impaired during the year was £2,995,571 (2018: £1,079,787) and this has been included in the cost of sales in the profit and loss account.

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

8 Tangible assets

	Computers	Fixtures and Fittings	Total
	£'000	£'000	£'000
Cost			
At beginning of year	3,051	881	3,932
Additions	760	4	764
At end of year	3,811	885	4,696
Accumulated depreciation			
At beginning of year	2402	835	3,237
Charge for the year	474	24	498
At end of year	2,876	859	3,735
Net book value			
At 31 December 2018	649	46	695
At 31 December 2019	935	26	961

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

9 Debtors

	2019 £'000	2018 £'000
Amounts due within one year		
Amounts owed by group undertakings	**7,655**	4,214
Prepayments and accrued income	**447**	517
Corporation tax receivable	**-**	120
Deferred tax	**805**	131
	8,907	4,982

Amounts owed by group undertakings are management service fees and are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10 Deferred taxation

	2019 £'000	2018 £'000
Balance brought forward	**131**	117
Movement in the year for capital allowance	**534**	(58)
Impact of tax rate change	**(6)**	1
Movement in the year for equity remuneration	**146**	71
Deferred tax asset carried forward	**805**	131

At the end of the reporting year, 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	**118**	(416)
In relation to cash-settled remuneration	**491**	379
In relation to share-based equity remuneration	**196**	168
Deferred tax asset	**805**	131

The amount of the net reversal of deferred tax expected to occur next year is £303,000 (2018: £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 2019.

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

11 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	**123**	-
Corporation tax	**692**	-
Accruals and deferred income	**11,447**	10,012
	12,262	10,012

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Commitments

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

	2019		2018	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Operating leases which expire:				
In less than one year	**2,340**	**18**	738	18
Between two and five years	**6,820**	-	-	-
After five years	**8,526**	-	-	-

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

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:

	2019 Number of share options	**2019** Weighted average exercise price (in US$)	2018 Number of share options	2018 Weighted average exercise price (in US$)
Outstanding at beginning of year	**63,451**	**84.03**	59,046	72.92
Granted during the year	**9,460**	**145.25**	7,911	150.87
Exercised during the year	**(2,501)**	**53.37**	(3,506)	47.73
Transfers during the year	**-**	**-**	-	-
Outstanding at the end of the year	**70,410**	**93.34**	63,451	84.03
Exercisable at the end of the year	**57,731**	**81.99**	51,928	73.11

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

13 Share-based payments *(continued)*

The weighted average share price at the date of exercise for share options exercised during the year was US$53.37 (2018: US$47.73). The options outstanding at 31 December 2019 had a weighted average exercise price of US$93.34 (2018: US$84.03), and a weighted average remaining contractual life of 7.0 years (2018: 7.0 years). In 2019, options were granted on 1 March 2019. The aggregate of the estimated fair values of the options granted on that date is US$251,541. In 2018, options were granted on 2 March 2018. The aggregate of the estimated fair values of the options granted on this date is US$210,353. The inputs into the Black-Scholes model are as follows:

	2019	2018
Weighted average share price	**US$145.25**	US$150.87
Weighted average exercised price	**US$53.37**	US$47.73
Expected volatility	**18.17 %**	21.39 %
Expected life	**7.0 Years**	7.0 Years
Risk-free rate	**2.67%**	2.79%
Expected dividend yields	**1.65%**	1.33%

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 2019 and 2018 are 5,908 and 5,266 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 (2018: £nil) PCUs were forfeited in the year and 4,355 (2018: 5,632) 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 2016 which contain the right to receive shares in February 2019, subject to approval of the Reinsurance Group of America, Incorporated remuneration committee, were anticipated to convert at 135% for each unit. 135% has been reflected in the expense of equity remuneration recognised in 2019 (100% in 2018).

In addition, beginning 2016, Reinsurance Group of America, Incorporated commenced awarding cash-settled units ("CSUs"). The number of units awarded during the year was 4,019 (2018: 3,459).

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 £1,296,139 and £949,954 related to equity-settled share-based payment transactions in 2019 and 2018 respectively. For cash-settled share-based payments transactions, the Company recognised total expenses of £934,523 (2018: £590,892) during the year.

The carrying amount at the end of the year for liabilities arising from cash-settled share-based payments transactions was £1,257,623.

Notes to the financial statements *(continued)*

For the year ended 31 December 2019

14 Called up equity share capital

	2019 £'000	2018 £'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 year.

15 Controlling parties

The immediate parent undertaking is 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.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Reinsurance Group of America, Inc., a company incorporated in the United States of America. Their registered office is at 16600 Swingley Ridge Road, Chesterfield, Missouri 63017-1706 USA.

16 Events after the balance sheet date

Since 31 December 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic downturn. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilise economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.