

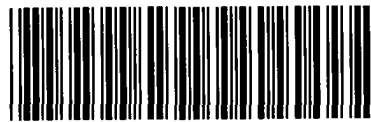
Registered number: 03498808

COMPUTERSHARE INVESTOR SERVICES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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COMPUTERSHARE INVESTOR SERVICES PLC

COMPANY INFORMATION

Directors

W F Au
R G Barber
L K Botha
P C Braithwaite
J T Hood
S Herfurth (appointed 8 October 2019)
R D Morphey (appointed 18 October 2019)

Company secretary

J Dolbear
L K Botha

Registered number

03498808

Registered office

The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

COMPUTERSHARE INVESTOR SERVICES PLC

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COMPUTERSHARE INVESTOR SERVICES PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

Introduction

The directors present their Strategic Report on Computershare Investor Services plc ("the Company") for the year ended 30 June 2019.

Principal activities

The principal activities of the Company are the provision of financial administration services encompassing Share Register, Employee Share Plans, Tenancy Deposit Protection and Stakeholder Communications services. The provision of these services relies on our expertise in high integrity data management, high volume transactional processing, reconciliation, payments and stakeholder communications.

These services are provided to listed and unlisted companies, and government agencies.

The Company is authorised and regulated by the Financial Conduct Authority.

Business review

The results for the Company show a profit before taxation of £18,940 thousand (2018 - £21,341 thousand) for the year ended 30 June 2019, and turnover of £146,158 thousand (2018 - £124,884 thousand). At 30 June 2019 the Company had net assets of £115,572 thousand (2018 - £115,073 thousand).

The Share Registry business experienced year on year revenue growth driven by a combination of annuity and activity based revenue streams. The Company maintained its number one position in the Capital Analytics Survey for 2019 and has been voted the number one Registrar in the survey for the fifth year in a row.

Revenue for the Employee Share Plans business was in line with prior year, including core fee revenue and transactional revenues which were comparable to the prior year.

The number and value of deposits protected by the Deposit Protection Service ("DPS") continues to grow, reflecting a strong UK rental housing sector. The scheme is now in its twelfth year providing coverage across England and Wales. In 2016 the Company retained the license for the DPS to operate the custodial deposit scheme for a further five years. In 2019, the license was extended for a further two years to 2023. The growth in the number and value of deposits protected by the DPS and the Bank of England base rate rise in August 2018 contributed to year on year revenue growth in the DPS.

Despite the strong revenue performance, the macro operating environment continues to be challenging, with low interest rates and reduced corporate actions activity. Following the acquisition of the Equatex business by the Computershare group, the Company continues to make substantial investment to drive organic and inorganic growth in the Employee Share Plans business. The Company has commenced moving clients to the Equateplus platform which enables the Employee Share Plans business to continue to upgrade customer experience and provide data insights to help our client companies attract, retain and reward their key employees.

There has been a decrease in exceptional income from £6,136 thousand in FY18, relating to an adjustment to royalty licence fees due for prior periods, to £3,019 thousand in FY19 in relation to the release of corporate cash balances formerly classified as client cash.

All other businesses performed in line with expectations.

COMPUTERSHARE INVESTOR SERVICES PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Financial key performance indicators

To aid management of the business, the directors utilise a number of Key Performance Indicators ("KPIs"). The KPIs include Turnover; Operating Profit; Earnings before Interest, Tax, Depreciation and Amortisation ("Management EBITDA") and Headcount. Detailed client profitability analysis is also undertaken for the share registry and employee share plans business.

The performance of the Company can be analysed as follows:

- Turnover increased by 17.0% from £124,884 thousand in 2018 to £146,158 thousand in 2019;
- Operating profit (excluding exceptional items) increased by 4.5% from £14,435 thousand in 2018 to £15,079 thousand in 2019;
- Management EBITDA increased by 33.7% from £27,494 thousand in 2018 to £36,747 thousand in 2019;
- Average headcount increased by 8.9% from 1,330 in 2018 to 1,448 in 2019.

Management EBITDA excludes certain items, including royalty payments and annual discretionary bonus payments, to permit better analysis of performance on a comparative basis.

Principal risks and uncertainties

There are a variety of risks that exist in the markets where the Company operates and there are a range of factors which may impact on the Company's performance. These risks include:

- Economic risks, including interest rate and foreign exchange fluctuations, market conditions and the costs of doing business;
- Market structure and regulation risks, including share registration regimes, the emergence of competitors from related fields, and regulatory initiatives;
- Operational risks, including transaction processing errors and related business process failures;
- Compliance risks, with regards to regulatory requirements; regulatory authorities provide oversight and govern licences required by the Company to do business.

The risk management approach and governance arrangements are established and maintained by the board. The board has established its appetite for risk and an ongoing Enterprise wide risk management process has been deployed to assess and review the risks the Company faces, their potential impact, the strength of the attendant controls and other risk mitigation arrangements. A 'Three Lines of Defence' model has been adopted to manage risks, which includes risk owners, risk oversight, risk reporting and risk assurance.

The board established an Audit Committee and a Risk Committee to provide assistance and recommendations to the board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's risk management framework and material risk exposures. The Audit and Risk Committees comprise directors who are members of, and appointed by, the board. The members of both the Audit and Risk Committees are W F Au, R G Barber and P C Braithwaite.

COMPUTERSHARE INVESTOR SERVICES PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Future developments

The Company strategy has been developed by management, and agreed by the board, and is aligned to the overall strategy of the Computershare group.

The Company is increasingly recognised as a leading provider of services in our selected markets by leveraging our core competencies. Core competencies include delivering outstanding client outcomes from engaged staff, focusing on new products and services to reinforce market leadership in established markets and investing in technology and innovation to deliver productivity gains and improve cost outcomes. The target being a combination of annuity and transactional based revenue streams and strong free cash flows.

The strategic priorities for the Company are therefore:

- Win new activity in our chosen markets, retain existing profitable mandates and continue building the volume of assets under administration in our Employee Share Plans and Tenancy Deposit Protection activity;
- Complete the migration of UK Employee Share Plan clients to the Equateplus platform;
- Developing new products and services for our chosen markets;
- Developing the talent, capability and performance of our people; and
- Efficient and effective operations and a strong control environment.

In implementing this strategy the Company is constantly reviewing emerging political, economic and regulatory developments to assess how they will affect our business.

Brexit

On 23 June 2016, the UK voted to leave the European Union. On 29 March 2017, the UK triggered Article 50 marking the start of a two year period in which the UK would leave the European Union by 31 March 2019. At a meeting of the European Council on 10 April 2019, the UK and European Union agreed to extend Article 50 until 31 October 2019. There remains uncertainty over the UK's future relationship with the European Union.

The Company is actively working to prepare for the potential outcomes of EU-UK negotiations, and how they might affect the Company, to ensure the Company can continue to provide services in the event of a no deal Brexit. The Company operates in many jurisdictions including in the UK, EU and elsewhere, so the Company is well placed to be able to adapt to changes imposed, if the UK leaves the EU without a deal.

This report was approved by the board and signed on its behalf.



J T Hood
Director

Date: 21 October 2019

COMPUTERSHARE INVESTOR SERVICES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the audited financial statements for the year ended 30 June 2019.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

Results and dividends

The profit for the year, after taxation, amounted to £15,621 thousand (2018 - £16,249 thousand).

A dividend of £16,281 thousand (2018 - £7,000 thousand) was paid during the year. No further dividend has been proposed.

Directors

The directors of the Company who were in office during the year were:

W F Au
R G Barber
L K Botha
P C Braithwaite
J T Hood
N Sarkar (resigned 31 July 2019)

S Herfurth was appointed 8 October 2019.
R D Morphey was appointed 18 October 2019.

COMPUTERSHARE INVESTOR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Political and charitable contributions

The total donations to charity in 2019 were £79 thousand (2018 - £81 thousand). No donations were made to any political organisation in either year.

The Company facilitates and encourages fund raising by staff, specifically in relation to the Computershare group's chosen charities. The Computershare group worldwide undertakes work with various charities and significant charitable donations are made by the parent company on behalf of the whole group. Information on this is provided in the parent company's report. Significant donations were made locally by the Company to various housing charities on behalf of the DPS.

Overseas branches

Throughout the year the Company operated a branch in Spain, established 22 April 2013, and a branch in Germany, established 1 July 2015.

Future developments

Future developments have been included within the Strategic Report.

Employee involvement

The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees, and the various factors affecting the performance of the Company. This is achieved through a variety of channels, at a company, country and global level. A UK based Employee Forum has been established which is elected by and from the staff, and regularly meets with senior management to represent all employees, and discuss relevant issues. Examples of the areas in which the forum has been involved include:

- Pension arrangements;
- Building refurbishment;
- Redundancy terms and conditions;
- Amendments to employment policies;
- Diversity in the workplace;
- Environment initiatives.

Employees are encouraged to participate in the Company Share Incentive Plan. Employees may elect to purchase shares in the ultimate parent, and the Company matches those shares. During the year 1,192 staff (2018: 1,048) participated in the Share Incentive Plan.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event members of staff become disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is provided. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

COMPUTERSHARE INVESTOR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased insurance in respect of itself and its directors.

Financial Risk Management

Our financial performance each year is underpinned by significant annuity revenue. However, there is also a material proportion of revenue that is derived from transactional activity that is dependent on factors outside our control, which can be challenging to predict. Changes to market activity and interest rates have the ability to impact adversely on our financial performance. The Company generates significant revenues from the transaction processing fees we earn from our services. These revenue sources are substantially dependent on customer trading volumes, market prices and liquidity of securities markets. Sudden sharp or gradual but sustained declines in market values of securities can result in reduced investor communication activity, including reduced mergers and acquisitions activity and reduced proxy activity; reduced trading activity; and illiquid markets.

Margin income is a key contributor to earnings. Changes in interest rates and to the level of balances that we hold on behalf of clients can have a material impact on the Company's earnings. The Company has robust policies and other protections to manage interest rate risk and other risks associated with placing those funds (including counterparty risk) and the Company also makes significant investments in processes and technology to identify, allocate, reconcile and oversee client monies.

Disclosure of information to auditors

Each of the directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

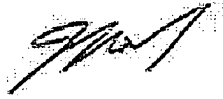
Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

COMPUTERSHARE INVESTOR SERVICES PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

This report was approved by the board and signed on its behalf.



J T Hood
Director

Date: 21 October 2019

The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Independent auditors' report to the members of Computershare Investor Services plc

Report on the audit of the financial statements

Opinion

In our opinion, Computershare Investor Services plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Sue Morling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
21 October 2019

COMPUTERSHARE INVESTOR SERVICES PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £000	2018 £000
Turnover	4	146,158	124,884
Cost of sales		(92,801)	(77,047)
Gross profit		<u>53,357</u>	<u>47,837</u>
Administrative expenses		(38,278)	(33,402)
Exceptional income	13	3,019	6,136
Operating profit	5	<u>18,098</u>	<u>20,571</u>
Income from fixed assets investments		-	207
Interest receivable and similar income	9	882	583
Interest payable and similar expenses	10	(40)	(20)
Profit before tax		<u>18,940</u>	<u>21,341</u>
Tax on profit	11	(3,319)	(5,092)
Profit for the financial year		<u>15,621</u>	<u>16,249</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Currency translation differences		27	6
		<u>27</u>	<u>6</u>
Total comprehensive income for the year		<u>15,648</u>	<u>16,255</u>

The notes on pages 15 to 42 form part of these financial statements.

COMPUTERSHARE INVESTOR SERVICES PLC
REGISTERED NUMBER: 03498808

BALANCE SHEET
AS AT 30 JUNE 2019

	Note	2019 £000	2018 £000
Fixed assets			
Goodwill	14	10,279	10,279
		<u>10,279</u>	<u>10,279</u>
Intangible assets	15	6,042	11,639
Tangible assets	16	719	975
Investments	17	398	398
		<u>17,438</u>	<u>23,291</u>
Current assets			
Stocks	18	165	74
Debtors: amounts falling due after more than one year	19	1,051	974
Debtors: amounts falling due within one year	19	77,087	88,180
Cash at bank and in hand	20	36,276	29,056
		<u>114,579</u>	<u>118,284</u>
Creditors: amounts falling due within one year	21	(11,713)	(15,371)
Net current assets		<u>102,866</u>	<u>102,913</u>
Total assets less current liabilities		<u>120,304</u>	<u>126,204</u>
Creditors: amounts falling due after more than one year	22	(466)	(656)
		<u>119,838</u>	<u>125,548</u>
Provisions for liabilities			
Provisions	25	(4,266)	(10,475)
		<u>(4,266)</u>	<u>(10,475)</u>
Net assets		<u><u>115,572</u></u>	<u><u>115,073</u></u>
Capital and reserves			
Called up share capital	26	4,050	4,050
Share premium account		23,450	23,450
Capital redemption reserve		12,000	12,000
Other reserves		12,838	11,706
Profit and loss account		63,234	63,867
		<u>115,572</u>	<u>115,073</u>

COMPUTERSHARE INVESTOR SERVICES PLC
REGISTERED NUMBER: 03498808

BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 October 2019.



J T Hood
Director

The notes on pages 15 to 42 form part of these financial statements.

COMPUTERSHARE INVESTOR SERVICES PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 July 2017	4,050	23,450	12,000	10,424	54,612	104,536
Profit for the financial year	-	-	-	-	16,249	16,249
Currency translation differences	-	-	-	-	6	6
Total comprehensive income for the year	-	-	-	-	16,255	16,255
Dividends: Equity capital	-	-	-	-	(7,000)	(7,000)
Capital contributions in respect of share based payments charge	-	-	-	1,282	-	1,282
At 30 June 2018	4,050	23,450	12,000	11,706	63,867	115,073
Profit for the financial year	-	-	-	-	15,621	15,621
Currency translation differences	-	-	-	-	27	27
Total comprehensive income for the year	-	-	-	-	15,648	15,648
Dividends: Equity capital	-	-	-	-	(16,281)	(16,281)
Capital contribution in respect of share based payments charge	-	-	-	1,132	-	1,132
At 30 June 2019	4,050	23,450	12,000	12,838	63,234	115,572

The notes on pages 15 to 42 form part of these financial statements.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. General information

Computershare Investor Services plc ("the Company") is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is The Pavilions, Bridgwater Road, Bristol, BS13 8AE. The Company is limited by shares.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The directors have taken advantage under section 401 of the Companies Act 2006 not to prepare consolidated financial statements as the Company is included by full consolidation in the consolidated financial statements of its ultimate parent, Computershare Limited (Australia), a company registered in Australia. The financial statements of Computershare Limited (Australia) are publicly available.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Impact of new international reporting standards, amendments and interpretations

IFRS 9

IFRS 9 presents revised guidance on the recognition and measurement of financial instruments. This also includes a new accounting model for credit losses that is applied in the determination of impairment recognised on financial assets. The standard's provisions concerning general hedge accounting have also been revised. IFRS 9 also carries forward the guidance on the recognition and de-recognition of financial instruments from IAS 39.

The adoption of IFRS 9 Financial Instruments has resulted in changes to accounting policies, reclassification of certain financial assets, and changes to the impairment model applied. In accordance with the transition provisions set out in IFRS 9, comparative figures have not been restated.

On the date of initial application of IFRS 9, being 1 July 2018, trade and other receivables, cash and cash equivalents and amounts owed by group undertakings were reclassified. There was no

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

Impact of new international reporting standards, amendments and interpretations

2.3 (continued)

material change to the underlying accounting treatment for the reclassified financial assets, and no change in the carrying amount upon reclassification. No reclassifications were required for financial liabilities.

IFRS 15

IFRS 15 combines, enhances and replaces specific guidance on recognising revenue with a single standard. It defines a five step model to recognise revenue from customer contracts. The standard was adopted from 1 July 2018.

The adoption of IFRS 15 Revenue from Contracts with Customers had no impact on the Company, as the way that the Company's revenue was accounted for under the previous accounting standard, IAS 18, satisfies the requirements of IFRS 15 with no changes required to existing accounting policies. This conclusion was reached following a detailed assessment of revenue recognised by the Company in the context of the IFRS 15 five-step revenue recognition model.

The following principal accounting policies have been applied consistently.

2.4 Going concern

The financial statements of the Company have been prepared on a going concern basis, which the directors believe to be appropriate. Based on the performance and expected outlook of the business, the directors are satisfied that the Company has adequate resources to continue to trade for the foreseeable future.

2.5 Turnover

Turnover comprises revenue measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when performance obligations have been satisfied over a period of time and in line with the billing schedule, with the exception of the Corporate Actions revenue stream which is recognised at a point in time when the corporate action has been completed and the related performance obligation has been met.

Turnover includes all revenue earned on the provision of regular services to customers, including registry and plan revenue, fixed monthly maintenance fees and transaction processing fees. Additionally, turnover includes all associated revenue earned from managing various client corporate actions which occur periodically and fees in relation to managing client bank accounts.

Document processing revenues include revenue from the provision of communication services to issuers, investors and other corporations. This includes design, document composition and programming, and various production and distribution methods.

Deposit Protection Service revenue primarily derives from interest earned on deposits held by the Company. These deposits earn interest based on rates provided by third party institutions, with income recognised on an accruals basis.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.6 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Software	-	2.5 - 4 years
Client List	-	7 years

2.7 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	- term of lease
Plant and machinery	- 3-8 years
Fixtures and fittings	- 5-10 years
Computer equipment	- 4 years
Software	- 2.5-4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Restricted cash applies to restricted FCA (Financial Conduct Authority) client funding bank accounts. Cash from these accounts are used for daily funding requirements and are repayable without penalty on notice of not more than 24 hours.

The Company administers client money on behalf of its corporate issuers. Given the nature of the client balances, neither the funds nor an offsetting liability are included in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.13 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial Assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

The Company's accounting policy for each category is as follows:

Fair value through profit or loss

Financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Financial assets at amortised cost

On the date of initial application of IFRS 9, being 1 July 2018, trade and other receivables, cash and cash equivalents and amounts owed by Computershare group entities were reclassified. There was no material change to the underlying accounting treatment for the reclassified financial assets, and no change in the carrying amount upon reclassification. No reclassifications were required for financial liabilities.

Impairment of financial assets

The Company always recognises lifetime expected credit loss (ECL) for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.13 Financial instruments (continued)

combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is United Kingdom Pounds Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.16 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.18 Share based payments

Where cash settled share options are awarded to employees and directors, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to statement of comprehensive income over the remaining vesting period.

2.19 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.20 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.21 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.22 Annual leave provision

A liability is recognised to the extent of any unused annual leave entitlement which is provided for at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the unused annual leave entitlement.

2.23 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.24 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.25 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.26 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.27 Intangible assets

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. The Company also has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key judgements are set out below:

Impairment of goodwill and intangible assets

Goodwill and intangible assets are regularly reviewed for objective evidence of impairment. In determining whether objective evidence exists, the Company considers the present value of future benefits and rewards expected to derive from the use of the asset. Such benefits may include increased revenue or cost reduction. If the value of the benefits is considered to be less than the carrying value of the asset then the directors assess whether any impairment should be made.

Tax charge

The assessment of the tax charge may include uncertain tax positions where the tax treatment has not yet been agreed with the taxation authorities. Management make an estimate of the taxation charge based on discussions with taxation authorities, advice from taxation advisors, and other available evidence, including taking account of any mitigating or compensating tax uncertainties in other group entities or other factors that may impact on the level of group relief that may be available.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4. Turnover

The directors consider that the Company provides financial administration services relating to Share Register, Employee Share Plans, Tenancy Deposit Protection and Stakeholder Communications services. Deposit Protection Service revenue derives from interest earned on client deposits held by the Company.

As highlighted in the Accounting policies, a detailed assessment of revenue recognised by the Company in the context of the IFRS 15 five-step revenue recognition model was performed. It was concluded there were no significant impacts on the Company's financial statements as a result of adopting IFRS 15 from 1 July 2018.

An analysis of turnover by business area is as follows:

	2019 £000	2018 £000
Employee Share Plans	50,448	50,591
Issuer Services	50,080	46,314
Business Services	45,630	27,979
	<u>146,158</u>	<u>124,884</u>

Issuer Services includes Share Registry, Corporate Actions and Stakeholder Relationship Management services.

Business Services includes Tenancy Deposit Protection, Class Actions and Stakeholder Communication Services.

5. Operating profit

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

	2019 £000	2018 £000
Depreciation of tangible fixed assets	264	175
Amortisation of intangible assets, including goodwill	5,645	4,919
Exchange differences	(27)	134
Defined contribution pension cost	3,279	2,905
Operating lease rentals	2,314	2,449
	<u>11,525</u>	<u>10,582</u>

During the year, directors received aggregate emoluments of £1,421 thousand (2018: £1,116 thousand)

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of the Company's annual financial statements	120	114
All non-audit services not included above	95	95
	<u>215</u>	<u>209</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £000	2018 £000
Wages and salaries	52,252	46,911
Social security costs	4,698	4,370
Other pension costs	3,279	2,905
Share based payment	1,267	2,290
	<u>61,496</u>	<u>56,476</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2019 No.	2018 No.
Operations and client relationships	1,204	1,088
Administration	244	242
	<u>1,448</u>	<u>1,330</u>

COMPUTERSHARE INVESTOR SERVICES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

8. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	1,407	1,102
Company contributions to defined contribution pension schemes	14	14
	<u>1,421</u>	<u>1,116</u>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £792 thousand (2018- £517 thousand).

31 thousand share options were exercised by the highest paid director (2018 - 50 thousand).

9. Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from group companies	781	579
Other interest receivable	101	4
	<u>882</u>	<u>583</u>

10. Interest payable and similar expenses

	2019 £000	2018 £000
Loans from group undertakings	-	2
Finance leases and hire purchase contracts	40	18
	<u>40</u>	<u>20</u>

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

11. Taxation

	2019	2018
	£000	£000
Corporation tax		
Current tax on profits for the year	3,814	3,044
Adjustments in respect of previous periods	(730)	2,398
	<u>3,084</u>	<u>5,442</u>
Double taxation relief	(109)	(170)
	<u>2,975</u>	<u>5,272</u>
Foreign tax		
Foreign tax on income for the year	224	298
	<u>224</u>	<u>298</u>
Total current tax	<u>3,199</u>	<u>5,570</u>
Deferred tax		
Origination and reversal of timing differences	106	(474)
Changes to tax rates	25	49
Adjustment in respect of previous periods	(11)	(53)
Total deferred tax	<u>120</u>	<u>(478)</u>
Taxation on profit on ordinary activities	<u>3,319</u>	<u>5,092</u>

COMPUTERSHARE INVESTOR SERVICES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019	2018
	£000	£000
Profit on ordinary activities before tax	18,940	21,341
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	3,599	4,055
Effects of:		
Expenses not deductible for tax purposes	134	52
Adjustments in respect of prior periods	(706)	2,345
Non-taxable income	-	(1,206)
Effects of overseas tax rates	115	128
Tax deduction arising from exercise of employee options	188	(332)
Tax rate changes	(11)	50
Total tax charge/(credit) for the year	3,319	5,092

The Company has claimed tax losses of £Nil (2018 - £Nil) with a tax effect of £Nil (2018 - £Nil) from fellow subsidiary undertakings for no payment.

Factors that may affect future tax charges

The main UK corporation tax rate is 19% throughout the year ended 30 June 2019, but it will be reduced to 17% from 1 April 2020 following Royal Assent on 15 September 2016. Deferred tax is therefore provided at 17%.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

12. Dividends

	2019	2018
	£000	£000
Dividends on Ordinary shares: £4.02 (2018 - £1.73) per £1 share	16,281	7,000

No further dividends have been proposed.

13. Exceptional Income

	2019	2018
	£000	£000
Royalty prior year correction	-	6,136
Unclaimed cash income	3,019	-
	<u>3,019</u>	<u>6,136</u>

The unclaimed cash income represents transfers to corporate cash balances formerly classified as non-corporate. These balances are held on balance sheet for 12 months before being released to the P&L. £3,520 thousand of the opening provision has been reversed with associated cash balances de-recognised (refer to note 25).

During the prior year the Company agreed an Advance Pricing Agreement with the UK tax authorities relating to license fees payable to Computershare Limited in Australia. The above amount represents an adjustment to licence fees due for prior periods as a result of the final agreement.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

14. Goodwill

	2019 £000
Cost	
At 1 July 2018	10,279
At 30 June 2019	<u>10,279</u>
Net book value	
At 30 June 2019	<u><u>10,279</u></u>
<i>At 30 June 2018</i>	<u><u>10,279</u></u>

Goodwill arose on the original acquisitions of the share registry business of The Royal Bank of Scotland plc (acquired in 1998 with a current net book value of £723k) and of Computershare Document Services Limited (acquired in 2004 with a current net book value of £9,556k). Goodwill is carried at its amortised value at the date of transition to FRS101 and is reviewed periodically for impairment. Such reviews compare goodwill totals with the specific business unit cashflows of both elements of the Company on a rolling 5 year basis. Value in use calculation of each business unit has been used to determine the recoverable amount with a discount rate of 7.5% applied.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

15. Intangible assets

	Client list £000	Software £000	Total £000
Cost			
At 1 July 2018	32,112	3,178	35,290
Additions - external	-	48	48
At 30 June 2019	<u>32,112</u>	<u>3,226</u>	<u>35,338</u>
Amortisation			
At 1 July 2018	23,319	332	23,651
Charge for the year	4,587	1,058	5,645
At 30 June 2019	<u>27,906</u>	<u>1,390</u>	<u>29,296</u>
Net book value			
At 30 June 2019	<u>4,206</u>	<u>1,836</u>	<u>6,042</u>
At 30 June 2018	<u>8,793</u>	<u>2,846</u>	<u>11,639</u>

The Client list Intangible asset arose on the acquisition of the European based employee stock plan business and assets of Morgan Stanley Private Wealth Management Limited which was acquired in 2013, and is being amortised over its expected useful economic life of 7 years. The remaining useful life of the asset as at 30 June 2019 is 11 months.

Amortisation is charged to administrative expenses within the statement of comprehensive income.

Software includes £3,226 thousand of costs for Deposit Protection Service software development of which phase 1 completed in February 2018. Phase 2 was completed in July 2018. Amortisation has been charged from the date of completion in February 2018.

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

16. Tangible assets

	Long-term leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Software £000	Total £000
Cost or valuation						
At 1 July 2018	2,661	3,962	2,395	30	130	9,178
Additions	-	8	-	-	-	8
Disposals	(2,496)	(2,721)	(2,348)	(30)	(130)	(7,725)
At 30 June 2019	165	1,249	47	-	-	1,461
Depreciation						
At 1 July 2018	2,636	3,048	2,359	30	130	8,203
Charge for the year on owned assets	25	230	9	-	-	264
Disposals	(2,496)	(2,721)	(2,348)	(30)	(130)	(7,725)
At 30 June 2019	165	557	20	-	-	742
Net book value						
At 30 June 2019	-	692	27	-	-	719
At 30 June 2018	25	914	36	-	-	975

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £000	2018 £000
Plant and machinery	628	836
	628	836

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

17. Investments

	Listed investments £000
Cost or valuation	
At 1 July 2018	398
At 30 June 2019	<u>398</u>
Net book value	
At 30 June 2019	<u>398</u>
At 30 June 2018	<u>398</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets. The cost of investments are £236 thousand & £162 thousand respectively.

Investments

The following were Investments of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Euroclear Holdings SA/NV	1 Boulevard due Roi Albert II, Brussels, 1210, Belgium	Securities	Ordinary	<1%
SWIFT SCRL	Avenue Adele 1, La Hulpe, B-1310	Secure financial messaging	Ordinary	<1%
Asset Checker Limited	6th Floor, 65 Gresham Street, London, EC2V 7NQ	Non trading	Ordinary	50%
Computershare Company Nominees Limited	Edinburgh House, 4 North St. Andrew Street, Edinburgh, EH2 1HJ	Non trading	Ordinary	100%
Computershare PEP Nominees Limited	Edinburgh House, 4 North St. Andrew Street, Edinburgh, EH2 1HJ	Non trading	Ordinary	100%
Computershare Services Nominees Limited	Edinburgh House, 4 North St. Andrew Street, Edinburgh, EH2 1HJ	Non trading	Ordinary	100%
DPS Trustees Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8AE	Non trading	Ordinary	100%

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

17. Investments (continued)

Investments (continued)

Listed investments

The fair value of the listed investments as at 30 June 2019 was £398 thousand (2018 - £398 thousand).

Name	Aggregate of share capital and reserves £m	Profit £m
Euroclear Holding SA/NV	1,531	377
SWIFT SCRL	367	30

18. Stocks

	2019 £000	2018 £000
Raw materials	165	74
	<u>165</u>	<u>74</u>

The cost of stock recognised as an expense and included in cost of sales amounted to £197 thousand (2018: £270 thousand).

No stock has been written down during the year (2018: Nil).

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

19. Debtors

	2019 £000	2018 £000
Due after more than one year		
Prepayments and accrued income	1,051	974
	<u>1,051</u>	<u>974</u>
	2019 £000	2018 £000
Due within one year		
Trade debtors	15,401	12,962
Amounts owed by group undertakings	46,851	66,655
Other debtors	7,530	6,123
Prepayments and accrued income	3,633	1,418
Tax recoverable	2,774	4
Deferred taxation	898	1,018
	<u>77,087</u>	<u>88,180</u>

Amounts owed by group undertakings are unsecured and repayable on demand.

20. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	36,276	29,056
	<u>36,276</u>	<u>29,056</u>

Cash at bank includes £138 thousand (2018 - £137 thousand) in relation to restricted FCA (Financial Conduct Authority) regulated client funding bank accounts.

COMPUTERSHARE INVESTOR SERVICES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

21. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	1,497	3,470
Amounts owed to group undertakings	2,821	3,268
Corporation tax	-	1,386
Other taxation and social security	1,161	1,006
Obligations under finance lease and hire purchase contracts	190	193
Other creditors	54	356
Accruals and deferred income	5,990	5,692
	<u>11,713</u>	<u>15,371</u>

Amounts owed to group undertakings are unsecured and repayable on demand.

22. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Net obligations under finance leases and hire purchase contracts	466	656
	<u>466</u>	<u>656</u>

23. Hire purchase and finance leases

Future minimum lease payments for:

	2019	2018
	£000	£000
Within one year	190	193
Between 1-5 years	466	656
	<u>656</u>	<u>849</u>

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

24. Deferred taxation

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future to realise the deferred tax asset and therefore the asset has been recognised in these financial statements. There is no unrecognised deferred tax asset or liability.

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
At beginning of year	1,018	540
Charged to profit or loss	(95)	424
Adjustment in respect of prior years	(25)	54
At end of year	898	1,018

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	95	104
Short term timing differences	851	970
Other	(48)	(56)
	898	1,018

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

25. Provisions

	Unclaimed cash provision £000	Annual leave provision £000	Bonus provision £000	Other provisions £000	Total £000
At 1 July 2018	6,539	1,181	2,256	499	10,475
Charged/(released) to profit and loss	(3,019)	1,276	2,439	375	1,071
Identified liability	(3,520)	-	-	-	(3,520)
Utilised in year	-	(1,181)	(2,256)	(323)	(3,760)
At 30 June 2019	-	1,276	2,439	551	4,266

The unclaimed cash provision represents transfers to corporate cash balances formerly classified as non-corporate. These balances are held on balance sheet for 12 months before being released to the P&L. £3,520 thousand of the opening provision has been reversed with associated cash balances de-recognised.

The annual leave provision represents holiday days accrued by employees as at 30 June 2019.

The bonus provision represents bonuses accrued by employees in the year to 30 June 2019, which is paid the following financial year.

26. Called up Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
4,050,000 (2018 - 4,050,000) Ordinary shares of £1.00 each	4,050	4,050

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

27. Share based payments

During the year and the preceding year the Company's employees benefited from two types of share-based payment arrangements.

Share Incentive Plan

Under the terms of the Share Incentive Plan, employees may elect to purchase shares in the ultimate parent via monthly deductions from their gross salary. The purchased shares are matched like-for-like by requesting the employing company to purchase matching shares for allocation to the employee concerned. The matching shares vest fully after two years. The employee is entitled to the economic benefit of dividends on the matching shares from the date of allocation and there are no conditions attaching to the matching shares apart from continued employment with the Company. The fair value of matching shares is the market value of those shares on the date of allocation to the employee.

Deferred incentive awards

The ultimate parent company provides deferred incentive awards for key management personnel on a discretionary basis. The market value of shares issued to employees for no cash consideration is recognised as a personnel expense over the vesting period with a corresponding increase in the capital contribution reserve. There have been no changes to the terms and conditions of deferred incentive awards since the dates of grant. The fair value of such awards is the market value of the shares on the date of grant.

The statement of comprehensive income charge for each element of the Company's share-based payments was as follows:

	2019	2018
	£000	£000
Share Incentive plan	135	1,009
Deferred Incentive awards	1,132	1,282
	<u>1,267</u>	<u>2,291</u>

Share incentive plan

The number of shares outstanding at the end of the year was 743 thousand (2018 - 724 thousand). The weighted average market price of the ultimate parent's shares on the dates on which the awards were granted during the year was AUD19.62 (2018 - AUD16.90).

The reduction in the charge for the share incentive plan reflects a payment holiday arising from utilisation of forfeited shares.

Deferred incentive plan

The number of shares outstanding at the end of the year was 309 thousand (2018 - 205 thousand). The weighted average market price of the ultimate parent's shares on the dates on which the awards were granted during the year was AUD20.07 (2018 - AUD14.56).

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

28. Contingent liabilities

The Company has historically received group relief (for nil consideration) from other UK group companies including Computershare Investments (UK) No.8 Limited. The tax position of Computershare Investments (UK) No.8 Ltd is under a long standing enquiry with HMRC as referenced by a contingent liability disclosure in its financial statements. Whilst Computershare continues to defend its position, should HMRC successfully reduce the amount of group relief that can be claimed by the Company, the maximum additional corporation tax payable by the Company is £8.2m (FY18 £8.2m), before any associated interest.

29. Pension commitments

The Company operates a group personal pension scheme for employees and in addition makes pension contributions to personal pension plans established by individuals. The scheme is a defined contribution scheme and contributions are charged to the statement of comprehensive income as and when they are incurred. All staff are eligible to join the scheme. The Company makes contributions to the scheme of between 1% and 10% of salary in respect of employees. The pension costs for the year were £3,279 thousand (2018 - £2,905 thousand). The amount owing at the year-end in respect of such contributions amounted to £868 thousand (2018 - £713 thousand).

30. Commitments under operating leases

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Land and Buildings		
Not later than 1 year	76	29
Later than 1 year and not later than 5 years	105	-
	<u>181</u>	<u>29</u>
	2019 £000	2018 £000
Other operating leases		
Not later than 1 year	284	241
Later than 1 year and not later than 5 years	208	118
	<u>492</u>	<u>359</u>

COMPUTERSHARE INVESTOR SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

31. Related party transactions

During the year the Company had the following transactions with related parties.

	2019 £000	2018 £000
Services provided to related parties		
Computershare Investor Services Proprietary Limited	363	395
	<hr/>	<hr/>
	363	395
Interest received		
Computershare Investor Services Proprietary Limited	30	26
	<hr/>	<hr/>

The Company is a wholly owned subsidiary of Computershare Investments (UK) (No.3) Limited. The ultimate parent undertaking and ultimate controlling party is Computershare Limited. The Company has taken advantage of the exemption conferred by Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) not to disclose transactions with Computershare Limited or its subsidiaries.

32. Controlling party

Computershare Investor Services plc is controlled and 100% owned by Computershare Investments (UK) (No. 3) Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and ultimate controlling party is Computershare Limited ("Computershare Limited (Australia)"), a company incorporated in Australia under ACN 005485825, which ultimately holds 100% of the share capital in Computershare Limited, Computershare Investor Services plc and Computershare Investments (UK) (No. 3) Limited.

The smallest and largest group in which Computershare Investor Services plc is a member and for which group financial statements are drawn up is the Computershare Limited (Australia) group. The consolidated financial statements of this group can be obtained from Computershare Limited, 452 Johnston street, Abbotsford, Victoria 3067, Australia. These may also be found at Computershare's website www.computershare.com.