American Express Services Europe Limited

Registered number 01833139

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

American Express Services Europe Limited

Report and Financial Statements for the year ended 31 December 2019

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American Express Services Europe Limited

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D Bailey – Chief Financial Officer
L Fenwick
H Lewis
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B Sawyers
P Taswell

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Directors' Report for the year ended 31 December 2019

The Directors present their Directors' report and the audited financial statements of American Express Services Europe Limited ("the Company" or "AESEL") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is registered in England and Wales, domiciled in the United Kingdom and is part of the American Express group of companies ("the Group"). The Company's immediate parent is American Express Holdings Limited. The ultimate parent and controlling entity is American Express Company, incorporated in the United States of America.

The principal activity of the Company is the provision of financial services in relation to payment services.

The Company is engaged in the issuing of a wide range of charge cards and revolving credit cards, including the provision of products and services related to consumer and corporate clients. The Company also offers a range of foreign currency payment solutions, together with a range of rewards schemes, including those which award customers who hold the Company's cards ("Cardmembers") points based on the amount they spend.

The majority of customer services related to the issued cards are provided by the Company through its own organisation. Before the 2019 business transfer (details below) the Company also operated some of its passporting reliant activities outside of the UK in selected countries where it had established branches for this purpose. At the reporting date these branches remain but they only perform activities which are not reliant on passporting.

The Company also provides other services to companies within the Group.

2019 Business Transfer

On 1st March 2019, the Company, in response to the regulatory risk posed by Brexit in relation to the ability of the Company to passport its card issuing business from the UK into the European Economic Area ("EEA"), transferred certain passporting reliant card issuing operations ("business transfer") to its Spanish subsidiary, American Express Europe S.A. ("AEESA") and Italian subsidiary, American Express Italia S.r.l. ("AEI").

Given that the decision to transfer was made in 2018, the assets and liabilities within the scope of the business transfer are presented as held for sale in the 2018 comparative.

The results of the operations transferred are reported in the current and prior year Income Statement as discontinued operations. At the signing date the Company's branches no longer continue to perform passporting reliant activities. Branches that both no longer perform any business activities and have no other requirement to remain will be deregistered in the foreseeable future. It should be noted that the Italian branch is expected to remain indefinitely as it will continue to service AEI.

Regulation

The Company is licensed by the Financial Conduct Authority ("FCA") as an authorised payment institution under the Payment Services Regulations 2009. The Company uses this licence to perform regulated payment services in the UK and previously in other countries in the European Economic Area.

The Company is also authorised by the FCA to perform regulated consumer credit and insurance mediation activities. The Company uses its Consumer Credit licence to offer consumer credit to UK Cardmembers. Until 1st March 2019, the Company also offered consumer credit in Italy and Sweden under the supervision of the FCA.

Directors' Report for the year ended 31 December 2019 (Continued)

Regulation (continued)

As a result of the business transfer on 1st March 2019, the Company no longer performs regulated payment services or offers consumer credit outside the UK. Since 1st March 2019, these services have been performed and offered by two subsidiaries of the Company, AEI with respect to the card issuing business in Italy and AEESA (and its branches) with respect to the residual card issuing business in the EEA that the Company previously operated outside of the UK and Italy.

In 2015, the EU adopted legislation in two parts, covering a wide range of topics across the payments industry. The first part was an EU-wide regulation on interchange fees (the Interchange Fee Regulation); the second consisted of the Revised Payment Services Directive ("the PSD2"). The Group engages with the regulatory authority responsible for enforcing this legislation in the UK, the Payment Systems Regulator ("PSR"), as required, which oversees compliance with this legislation in the UK.

The Group brought a legal challenge and sought a ruling from the EU Court of Justice to clarify the interpretation and validity of the application of fee cap provisions in the Interchange Fee Regulation in circumstances where three party networks work with co-brand or agent partners. In a ruling issued on February 7, 2018, the EU Court of Justice confirmed the validity of the application of the fee cap provisions as well as other provisions; although the ruling gives only limited guidance as to when or how the provisions might apply in such circumstances. While the Group is confident it is complying with applicable law, the Company and its subsidiaries, AEESA and AEI, are engaged with the relevant regulators with regards to their compliance approach, which may vary from country to country.

The PSD2 makes revisions to the original Payment Services Directive adopted in 2007 ("PSD") and prescribes common rules across the EU for licensing and supervision of payment service providers. It also contains regulatory requirements on strong customer authentication, open access to customer data and payment capabilities, and measures to prevent security incidents. Member States had until January 13, 2018 to transpose the PSD2 into national law. AESEL and the Group have taken steps to comply with the legislation including the first submission in 2019 of new reports to the FCA and the new strong customer authentication requirements which require full compliance by September 2021. In addition, AESEL has obtained permission to conduct Account Initiation Services ("AIS").

The FCA's rules on Persistent Debt came into force on 1 March 2018 and firms had until 1 September 2018 to be fully compliant. The FCA defines a persistent debtor as a customer that has paid more in interest and charges than they have repaid of their borrowing over an 18 month period. An initial population of Cardmembers classified as a persistent debtors was scheduled to be identified on 1st March 2020 (after the first 18 month assessment period following implementation of these rules had elapsed). The rules require the Company to put in place appropriate arrangements following engagement with these Cardmembers, which would include discussing available options, what is affordable and, where relevant, the consequences for that customer. Where such a Cardmember is unable to afford increased repayments or a more suitable repayment plan, then the FCA's expectation is for firms to offer forbearance. Whilst categorised as a persistent debtor, the Cardmember's cards will be suspended, i.e. subsequent spend will not be authorised. Given the challenges facing many customers due to the ongoing Covid-19 situation, the FCA has extended the timeframe to 1st October 2020 for Cardmembers to respond to the Company's communications. This means that the Company is not obliged to suspend the cards of non-responders before this date.

The FCA introduced measures in April 2020 to support customers who have experienced a change in financial circumstances due to Covid-19, these measures allow customers to request a freeze on repayments or 3 months. The company, in addition to implementing its own measures to support cardmembers impacted by Covid-19, has complied with these measures.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Group is a globally integrated payments organisation that provides customers with access to products, insights and experiences that enrich lives and build business success. American Express' purpose, values and strategies are determined at a global level prior to being communicated to and implemented in local jurisdictions. Given the global nature and complexity of the Group's business operations, the Group has implemented a matrix organisational structure. This is composed of an extensive global network of legal entities from which it conducts its activities. The Company sits within this structure and is primarily responsible for the Group's card issuing activities in the UK in addition to providing strategic and operational services to other legal entities within the Group. It is the AESEL Board's responsibility to implement policies, principles and strategies in a manner that aligns with those set at the global level, while taking into account local legislation, operational requirements and opportunities, thereby contributing to a cohesive approach across the organisation.

The Board recognises the importance of good corporate governance and rigorous supervision of the management of the Company to ensure that business operations are conducted competently, with integrity and due regard to the interests of all stakeholders. Consequently, for the year ended 31 December 2019, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Limited Companies (published by the Financial Reporting Council ("FRC") in December 2018 and available on the FRC website). Details of the Company's corporate governance arrangements are set out below.

- **Purpose and leadership**

American Express strives to provide the world's best customer experience every day and to become essential to customers by providing differentiated products and services to help them achieve their aspirations. The Board is responsible for overseeing the Company's strategy, decisions, processes and culture in a manner that aligns with the Group's global approach, which provides for the long-term sustainability of both the Company and the Group's business. To this end, the Board hold regular meetings with key stakeholders across the Company's lines of business and other departmental groups to ensure that proper oversight and control of the Company's business is maintained and, where necessary, to provide constructive challenge. This enables the Company's business and wider Group organisation to pursue opportunities in a manner consistent with American Express' principles. American Express' vision and strategies, while initially set at the global level, are designed to take account of the specific circumstances of different jurisdictions. The strategy for the UK (the Company's primary market) is regularly communicated across the UK organisation in various formats such as internal announcements by senior leaders, many of whom sit on the Board, and/or regular leadership presentations ("townhalls") that outline the progress of and developments within the UK business. In addition, the Chairperson of the Board is also the UK Country Manager and regularly communicates to the UK organisation on various matters impacting the UK organisation.

The brand and attributes – trust, security and services – of American Express are key assets and the Group's continued success depends on its ability to preserve, grow and leverage the values of the brand. American Express' ability to attract and retain customers is highly dependent upon the external perceptions of the organisation, including its trustworthiness, business practices and workplace culture. The Group invests heavily in managing, marketing, promoting and protecting the brand, with the Company specifically focusing on developing and enhancing the brand in the UK. The Board, being comprised of senior UK based representatives from each line of business and other critical functions, is well placed to provide the necessary leadership, input and challenge required to manage, market, promote and protect the brand. The Board is also able to ensure that a high level of accountability across the business is maintained so that product offerings and services are consistent with American Express' brand and values. While not legal entity specific, the Company also benefits from American Express internal policies which provide for effective procedures in cases of misconduct, anti-corruption, conflicts of interests, whistleblowing and more. American Express' culture and internal policies align with the overall purpose, strategy and brand of American Express where the Group holds itself to the highest standards of business ethics and integrity.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (Continued)

- **Board composition**

The Board is comprised of eight executive directors and is chaired by the UK Country Manager who plays an important role in promoting open debate and constructive discussion. The Chair of the Board works closely with the Company Secretary to ensure that the Board receives accurate information in a clear and timely manner necessary for the Board to make informed decisions. The Chair also provides the leadership, guidance and challenge required for the Board, and individual directors, to remain effective in the task of setting and implementing the Company's direction and strategies.

The Company's business activities are comprised of multiple lines of business in a complex and regulated industry. Consequently, it is essential that the Board possesses the necessary collective knowledge, experience and skills in order to operate effectively. As such, the Board is comprised of senior UK based representatives from each line of business and other critical functions thereby enabling increased levels of oversight and accountability at the board level. The Board, together with its advisors, possess significant experience in areas such as general management, finance, sales/marketing, risk management, operations, technology, law, and regulatory compliance necessary to provide effective oversight. The Board's composition is reviewed regularly to ensure that the Board maintains the correct balance of skills and experience necessary to function properly and keep abreast of developments in a dynamic business environment and aligned with the recently introduced Senior Managers & Certification Regime.

Members of the Board are expected to act with integrity and independence while possessing the energy, forthrightness, analytical skills, and commitment to devote the necessary time and attention to the Company's affairs. Directors are also expected to possess a willingness to challenge senior management and the ability to work collaboratively in an environment of trust. The Chair regularly ensures that time is dedicated for Directors to discuss and, where necessary, provide constructive challenge to management on key decisions the Board is asked to make.

Ensuring a diverse and inclusive environment is a key priority for the Group, Company and the Board. American Express' Global Inclusion and Diversity aspiration is to be a global leader in inclusivity and a company where being yourself matters. American Express' business is sustained by innovation and engaging with and supporting its unique differences helps to drive creative and complex problem solving.

As part of the commitment to inclusion and diversity, American Express Company has signed the Women in Finance Charter, committing to:

- Getting a 50:50 Gender balance (with 10% tolerance) of senior management roles in the UK by 2024;
- Continue boosting awareness of gender diversity across the organisation; and
- Continue reviewing our employee development programs to ensure a diverse and fair workforce and foster a culture of inclusion.

As of the signing date, the gender balance of the Board is 4:3 with a female majority.

- **Directors responsibilities**

(i) Accountability

Good governance is essential to maintaining rigorous supervision of the management of a company, ensuring that business is done competently, with integrity and with due regard to the interests of all stakeholders. The Company is authorised and regulated by the Financial Conduct Authority ("FCA") in the UK. On account of being a consumer credit firm with an annual revenue of £100m or more, it is subject to the Senior Managers and Certification Regime ("SMCR") as an Enhanced Firm. The SMCR is part of the FCA's drive to improve culture, governance and accountability within financial services firms. It aims to deter misconduct by improving individual accountability and awareness of conduct issues across firms. As such, each Director of the Company is considered a Senior Manager and has been allocated specific prescribed responsibilities and business activities linked to their role covered by a "Statement of Responsibility". All appointments to the Board are subject to FCA approval and Directors are required to agree to a Statement of Responsibility prior to being appointed to the Board. This means that Directors have a clear understanding of their roles and responsibilities prior to joining the Board while ensuring that Directors take all reasonable steps in the furtherance of their duties and responsibilities on an ongoing basis.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Directors responsibilities (continued)**

(i) Accountability (continued)

In addition to the above, each member of the Board is subject to the American Express Code of Conduct (the "Code"). The Code is intended to focus on areas of potential conflicts of interest and other ethical issues, provide mechanisms to report potential conflicts or unethical conduct and help to foster a culture of openness and accountability. All reporting of conflicts of interest is centrally managed by the Corporate Secretary's Office. Directors are required to review and renew their commitment to the Code annually.

(ii) Committees

The Directors are responsible for managing the Company's affairs and for ensuring that the operations of the Company, including those of its branches, are carried out effectively and with due regard to the reputation of the Group and the requirements imposed upon it by law, regulation and relevant regulatory bodies.

To fulfil these responsibilities, the Company maintains a governance framework including the following committees ("the Committees"), each reporting regularly to the Board:

- The Audit and Finance Committee;
- The Operational Risk Committee; and
- The Payment Protection Insurance Committee

The Audit and Finance Committee focuses principally on the Company's financial accounting, internal control and integrity of the financial statements. It is chaired by the Chief Financial Officer and membership is made up of representatives from all relevant departments, including Tax, Treasury, Regulatory Compliance, Internal Audit and Controllership. The Audit and Finance Committee meets five times a year, to monitor key issues and changes within the committee's remit, make non-critical decisions and to conclude upon items and/or risks which should be raised for the Board's consideration.

The Operational Risk Committee ("ORC") supports the Board by giving oversight to the key operational risks identified for the Company. It is chaired by a senior representative from the Compliance organisation and membership is made up of representatives of each of the Company's lines of business. The ORC has oversight of significant operational and compliance changes and issues arising within the Company. The ORC is also responsible for ensuring that clear, effective and compliant processes are in place for managing third party and affiliate outsourcing arrangements. The ORC meets in advance of every board meeting in order to consider items and/or risks which should be raised for the Board's consideration.

The Payment Protection Insurance Committee oversees the fair assessment, calculation and remediation of potential redress in respect of Payment Protection Insurance ("PPI") and reports to the Operational Risk Committee. Membership is made up of representatives from all relevant departments, including Compliance, Legal, Customer Research & Solutions, Marketing, Finance, Operational Excellence and Internal Audit.

The Committees meet regularly and report at Board meetings. Any matters which cannot be resolved by the Committees are escalated to the Board for its consideration. Due to the make-up of the Board, in many instances, items and risks escalated to the Board are already known to individual directors well in advance of Board meetings which leads to a greater upfront understanding of the issues at play. Furthermore, the Board has, or has access to, the right level of subject matter expertise to provide constructive challenge, input and/or take decisive action when called upon to do so. In addition to a Risk Tolerance Statement, the Board has implemented an escalation framework to ensure the effective reporting of risks, issues and changes within the Company to relevant key internal and external stakeholders.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Directors responsibilities (continued)**

(iii) Integrity of Information
The Board receives information on all areas deemed crucial to maintaining proper oversight and control of the Company's business on a regular and timely basis from a wide group of stakeholders. Such information includes reports from, but is not limited to, the Committees, Line of Business, Compliance, Legal, Internal Audit, Information Technology & Data Security. In order to ensure the correct level of oversight and control over the business is maintained, the Board meets frequently throughout the course of the year.

All information the Board receives is provided by subject matter experts who have the relevant qualifications, experience and skills necessary to ensure the integrity of the information while also advising on developments impacting the Company. The Board has, or has access to, the right level of subject matter expertise to validate the integrity of the information. The Company, and groups supporting the Company, are subject to regular comprehensive reviews undertaken by the Group's Internal Audit Function which reports to the Board on its findings on a regular basis. Furthermore, the Company's financial information and processes are externally audited by PricewaterhouseCoopers LLP on an annual basis.

- **Opportunity and risk**

The Group follows a consistent approach to strategic decision making and risk management, with the Board overseeing the implementation of strategies for future growth of the Company.

Due to the size of the Company's business, the Board have taken certain steps to streamline the decision-making process to increase the overall effectiveness of the Company's operations. Consequently, certain decision-making powers have been delegated to the Committees and controls put in place to safeguard the Company and the interests of other key stakeholders. As part of this, the Board has implemented a risk appetite statement which is grounded in the core operating principles of the Group: *"provide superior customer value; enhance the brand respected for service, trust, integrity, and security; create best-in-class economics through long-term business cycles"*. In support of these principles, the Company clearly articulates and maintains a risk profile that would, at a minimum, withstand the stresses of a severe macroeconomic downturn, while at the same time meeting the Company's capital goals. The Company controls its risk profile through its risk management processes, with a system of limits, escalations, and other controls. The Company evaluates its risk capacity and its risk profile and may adjust its risk strategies, its business or capital plan, or its risk limits.

As an authorised payment institution, the Company is required to maintain capital levels which exceed a prescribed level of minimum capital, as required by the Payment Services Regulations 2009. The Company has an FCA minimum capital requirement for the year of £11.2m. Capital monitoring processes are in place to ensure the Company exceeds the minimum capital requirements at all times. The Company is also required to undertake daily safeguarding of relevant funds.

Disclosures on future strategies and risk management as well as a business outlook, with a summary of risks and uncertainties are included within the Strategic Report.

The Company has a robust internal control framework with clear roles and responsibilities for escalation and remediation of risks. The Committees, as referred in the earlier section (Directors' responsibilities), each adhere to Terms of Reference to ensure appropriate escalations to the Board. The framework consists of governance, risk assessment, issue management, and reporting and monitoring by which the Company identifies, assesses, measures, monitors and controls risks facing the business. The Company has the "three lines of defense" approach to risk management. Independence is maintained from First Line (the business) – functions directly initiating revenue, expense management, or risk decision activities, Second Line (compliance function) - independent functions overseeing risk in the first line and Third Line (internal audit) - independent group providing assurance that the first and second lines are operating effectively.

Directors' Report for the year ended 31 December 2019 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Remuneration**

Executive pay is set by the Compensation and Benefits Committee ("CBC") of the Board of Directors of American Express Company. A significant portion of executive pay is given via long term equity awards with payouts that are linked to Group performance and support a long-term, high performance business model. Long term incentives have performance metrics that are tied to stock appreciation which helps create a sense of shared purpose with shareholders. All executive pay structures noted above for American Express also apply to the Company, and to all other subsidiaries of American Express Company.

- **Stakeholder relationships and engagement**

The Company considers its primary stakeholders to be its customers, internal and external suppliers, and its workforce. Our engagement with and consideration of these stakeholders is detailed below.

(i) External Impacts

The Corporate Social Responsibility team works closely with the Global Real Estate and the American Express Technologies groups to identify, measure, manage and report on environmental risks, performance and opportunities. Given the scope of our activity (financial products and services), the impact of the American Express activity on the environment is limited and no substantial environmental risks and impacts have been identified.

American Express is committed to remaining a CarbonNeutral® enterprise and continuing to power our operations with renewable electricity after reaching the milestone in 2018. To ensure its internal operations integrate sustainability into procedures, American Express set 2025 environmental performance targets (see American Express Company's 2018-2019 Corporate Social Responsibility report). These global commitments focus on emissions, energy use, waste generation, water use, green building certification, single-use plastic product purchase and responsible paper sourcing.

(ii) Stakeholders

External suppliers are identified and managed in accordance with the Company's Third Party Lifecycle Management Policy. The Company's Global Supply Management organisation completes risk assessments on suppliers in its scope and the type and level of risk identified assists to prioritise those relationships along with: (1) the applicable due diligence artefacts to be collected and evaluated; (2) the frequency of any ongoing reviews; and (3) any specific language to be included in the procurement contract (e.g. relating to data security). The Company has an outsourcing policy which is maintained and controlled by the Outsourcing Governance Team which reports into the ORC.

Due to the matrix structure within American Express, other entities within the Group constitute a significant portion of the Company's suppliers. These relationships are governed by American Express internal governance, policies and controls, with arm's length pricing and formal intercompany agreement documentation.

The Company has direct relationships with Cardmembers and businesses, actively working to engage with them through customer service, direct-to-customer channels, and social media. The Company believes that delivering products and services in a fair and transparent manner is critical to providing best-in-class customer service. As part of our fundamental commitment to meet customer credit needs, the Company is dedicated to engaging in customer practices that embody transparency, truthfulness, fairness, and a culture of non-discrimination throughout the credit lifecycle. The Company manages and mitigates customer practices risk through dedicated resources and ongoing monitoring, testing, and oversight. This also applies to third-party vendors and their subcontractors, also known as fourth-party vendors.

The Company's activities are subject to regulation and supervision by various regulatory authorities in the UK, most notably the Financial Conduct Authority, Payment Systems Regulator and Information Commissioner's Office. When providing information to regulators, either through exams, reporting or ad hoc requests, the Company looks to ensure consistency, integrity and transparency. Additionally, the Company may seek to engage with regulators pro-actively to facilitate dialogue on regulatory change, either by taking part in formal consultation processes or through less formal engagement such as ad hoc relationship meetings. The Compliance organisation, with input from the Board, maintains a regular dialogue with the Company's various regulators throughout the year to keep them

Directors' Report for the year ended 31 December 2019 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Stakeholder relationships and engagement (continued)**

(ii) Stakeholders (continued)
apprised of developments on existing matters under review or make them aware of new items as and when they arise.

(iii) Workforce
The American Express Workforce within the UK, including, but not limited to, the Company's employees, is split among multiple UK based legal entities. The employing entity is typically determined based on the line of business or the department in which an individual employee sits. Consequently, many of American Express' interactions with the workforce, being cross functional in nature, are dealt with at a centralised level rather than at the legal entity level such as the UK Country Executive Team and the UK Crisis Management Team. These centralised teams consist of senior leaders based in the UK, some of whom also sit on the Board of the Company. American Express regularly engages with its workforce to solicit feedback and to share information via a variety of forums, including quarterly global Town Halls (company-wide and by line of business), regular UK market Town Halls, an annual Colleague Experience Survey designed to gain insights into workforce engagement and concerns, and telephone and email-based resources, which provides leaders and colleagues with the opportunity to seek advice and guidance on employment matters. Notwithstanding the above, certain decisions/actions which have the potential to impact a significant number of the Company's employees must first be approved by the Board.

Additionally, American Express has an Ethics Hotline, which provides colleagues and suppliers/vendors the opportunity to report concerns without fear of retaliation (i.e., confidentiality and anonymity), as well as a UK Employee Forum, in which UK Employee Representatives meet at least twice annually with senior business leaders to discuss and provide feedback on business strategy, workforce management, and financial results. Finally, these policies are aligned to the Group's values and are reviewed regularly to ensure they are in line with statutory requirements and changes.

RESULTS AND DIVIDENDS

The results for the year are set out on page 26 and show the total profit before taxation was £232m (2018: £158m). The profit for the financial year amounted to £189m (2018: £115m) which has been transferred to reserves. The Directors do not propose the payment of a dividend in 2019 (2018: £Nil). Total Shareholders' funds at 31 December 2019 stood at £1,047m (2018: £855m).

OPERATIONS OUTSIDE THE UK

The Company has branches in the following European countries: Austria, Denmark, Finland, Germany, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Sweden and Switzerland. The Company also has directly owned subsidiaries in Spain, AEE (American Express de Espana S.A.) and, effective 1st March, AEESA (Refer to Note 15 Investments) and a subsidiary in Italy, AEI.

The business transfer took place on 1st March 2019. At the signing date the Company's branches no longer perform passporting reliant activities. Branches that no longer perform any business activities and have no other requirement to remain will be deregistered in the foreseeable future. It should be noted that the Italian branch is expected to remain indefinitely as it will continue to service AEI.

Directors' Report for the year ended 31 December 2019 (Continued)

DIRECTORS

The Directors of the Company who served during the year and up to the date of signing the financial statements were:

C Duerden - Chairperson
D Bailcy - Chief Financial Officer
C Carriedo (resigned 9th September 2019)
D Edelman (resigned 10th October 2019)
L Fenwick (appointed 23rd July 2019)
J Grafflin (resigned 26th April 2019)
H Lewis (appointed 26th Feb 2020)
R Marquez (resigned 30th September 2019)
D Murray (resigned 22nd November 2019)
C O'Flaherty (appointed 10th September 2019)
B Sawyers (appointed 5th March 2020)
P Taswell (appointed 5th March 2020)
A Varadhan (appointed 30th July 2019 and resigned 13th May 2020)

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in S.234 of the Companies Act 2006, and as outlined in the Company's Articles of Association. Such a qualifying third party indemnity provision was in force during the financial year and remains in force as at the date of approving the Directors' report.

EMPLOYEE ENGAGEMENT STATEMENT

As referenced in the Statement of Corporate Governance Arrangements, the American Express workforce within the UK, including, but not limited to, the Company's employees, is split among multiple UK based legal entities. Consequently, many of the Company's interactions with its employees, being cross functional in nature, are managed at a centralised level.

American Express appreciates that what its colleagues choose to do for a living is one of the most meaningful decisions they can make. American Express' role is to help everyone excel in their chosen roles. The Company and American Express as a whole provide experiences to become a great leader, a world of opportunities to grow careers, and an inclusive culture to help everyone thrive.

American Express believes that the best way to back its customers is to back its people. Accordingly, the Company places great emphasis on creating an environment where talented and diverse colleagues want to join, stay and grow their careers within the Group.

The Company enables all colleagues to maximise their potential through the American Express Leadership Academy providing formally structured, as well as self-directed, learning and development opportunities.

There is a strong commitment to inclusion and diversity, ensuring all employees can be themselves at work; grow their careers; and enable great results. The Company fosters an inclusive workforce culture through leading best practices such as pay equity processes with transparent guiding principles; supporting career progression; and enabling a broad range of flexible working practices.

EMPLOYEE ENGAGEMENT STATEMENT (continued)

In 2019, American Express was once again voted one of the Top 10 Employers in the UK by Working Families, the UK's leading work-life balance organisation.

Directors' Report for the year ended 31 December 2019 (Continued)

It is the Company's policy not to discriminate against anyone or treat anyone less favourably than others on the basis of their disability or any protected characteristic. Opportunities for employment, training and promotion are equally open to all candidates. Selection for employment, promotion, transfer and training, and access to benefits, facilities and services are fair and equitable and based solely on merit, implementing workplace adjustments where appropriate. The Company has a dedicated Workplace Adjustments team and obtains additional advice, assessment and provision through a specialist external provider. The Company has a well-established Disability Awareness Network ("DAN") open to all employees across the organisation. The DAN seeks to create a fully inclusive workplace where employees with disabilities are encouraged and enabled to reach their full potential, through an environment that recognises, develops and leverages their talent. The Group has also established a strategic and multi-functional Disability Council which uses the Business Disability Forum's Disability Standard to ensure the Group continues to work towards becoming a disability-confident organisation.

Furthermore, the Group has an active Diversity Council that partners with over 12 Colleague Networks to enable inclusion and diversity; and has delivered mandatory Inclusive Leadership training for all senior leaders; this has also been cascaded through the Company.

Employee mental health is a priority for the Group, and the Company has a number of initiatives and resources to support employee mental wellbeing. The Company has a team dedicated to health and wellbeing, which oversees the Healthy Living Hub (a wellbeing concierge service), the Healthy Minds Employee Assistance Programme with licensed counsellors offering virtual and in person sessions, an Emotional Wellbeing Therapist onsite offering Cognitive Behavioral Therapy and counseling, education and training, plus an online emotional wellbeing support platform. The Company also offers GP, nurse and Virtual GP services for fast and easy access to healthcare, as well as providing frequent webinars and virtual wellbeing sessions covering topics such as stress management, resiliency, mindfulness, and work life balance.

Consultation with employees and their representatives, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests; and ensuring they are aware of the financial and economic performance of their business units and of the Company as a whole, is well established.

Communication continues through regular internal communications, newsletters and briefing groups. The Group carries out an annual employee survey with a strong record of favourable results of which the results are communicated to all employees, discussed by the Board and acted upon if necessary.

The Company aims to achieve a balance between delivering market competitive remuneration in order to attract and retain talent; and optimising shareholder return. Eligible employees participate in the American Express Company Equity-settled share-based payment plans. Eligibility is based on seniority and the awards are performance driven. A description of the plans and performance measure is available in the American Express Company's financial statements. See Note 8 for a summary description of the plans and the awards granted and outstanding during the year.

Directors' Report for the year ended 31 December 2019 (Continued)

STAKEHOLDER ENGAGEMENT STATEMENT

The Board recognises that the fostering of good business relationships is crucial to the long-term success of the Company and Group as a whole. To this end, the Company has implemented an escalation framework (via the Committees) so that issues impacting the business and/or key stakeholders (including, but not limited to, the Company's suppliers and customers) are escalated to the Board for its consideration. This helps ensure that the Board has visibility of issues impacting our key stakeholders and that such issues are dealt with and resolved in an effective, timely and appropriate manner. In addition, American Express has a number of policies in place which require that, prior to the Board taking decisions deemed critical to the Company, the impact on a wide group of stakeholders be identified and considered. This better enables the Board to make informed decisions while acting in the best interests of the Company and its key stakeholders.

As directors of a regulated entity, the Board must also adhere to the FCA's Conduct Rules which, in addition to acting with integrity, due skill, care and diligence, includes an obligation to pay due regard to the interests of customers and treat them fairly.

The Company's principal decision during the financial year ended 31 December 2019 was concerning the business transfer on 1 March 2019 (see '2019 Business Transfer' section for additional details). Prior to the completion of the business transfer, an extensive body of work, managed by the Brexit Project Management Office ('PMO') and overseen by the Board, was undertaken to consider and remediate for the operational, financial and regulatory impacts of the business transfer on the Company, its suppliers, customers and other key stakeholders. As part of the project, numerous potential impacts to the Company's suppliers, customers and other key stakeholders were identified and a comprehensive action plan was devised and implemented to avoid disruption to them. The Board received regular status updates from the Brexit PMO where they reviewed risks identified and progress made against the project plan. As part of the Board's approval process of the business transfer, one of the key criteria for the approval of the business transfer was that all steps to minimise disruption to the Company, its suppliers, customers and other key stakeholders had been completed, or would be completed prior to the transfer date. Consequently, although the decision to go ahead with the business transfer was made in 2018, the Board did not formally approve the agreements relating to the business transfer until 2019, once it was satisfied that the actions taken to minimise disruption to the Company's suppliers, customers and other key stakeholders had been completed, or were near completion.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' 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.

American Express Services Europe Limited

Directors' Report for the year ended 31 December 2019 (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

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.

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.

CREDITOR PAYMENT POLICY

It is the Company policy to pay vendors 60 days after receipt of a correct, undisputed, timely provided and properly VAT due invoice unless specific payment terms dictate otherwise. The Company's average creditor period, calculated by reference to the ratio of trade creditors at 31 December 2019 to amounts invoiced during the year was 43 days (2018: 50 days).

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made charitable donations amounting to £2,439 to advance the causes of charitable organisations (2018: £25,000). No donations were made for political purposes (2018: £Nil).

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP are deemed to be reappointed as independent auditors under section 487(2) of the Companies Act 2006.

The financial statements on pages 26 to 97 were reviewed by the Board of Directors on 21 May 2020 and approved on the date specified below on its behalf by:

DocuSigned by: Charlotte Duerden 1B37A7C4A9B84A7...	DocuSigned by: David Bailey EBCDF257355E4BD...	
C Duerden	D Bailey	Date: 21 May 2020
Chairperson	Chief Financial Officer	

American Express Services Europe Limited

Strategic Report for the year ended 31 December 2019

The Directors present their strategic report of American Express Services Europe Limited ("the Company") for the year ended 31 December 2019.

BUSINESS REVIEW

Objectives of the Company
The key objective of the Company is to generate payment business through its core activity of issuing American Express corporate and consumer cards and providing payment services.

Business Strategy
To generate payment business the Company is focused on acquiring new customers, retaining existing ones, delivering high quality service and incentivising spending through rewards and other benefits.

The core elements of the Company's strategy are:

- Attracting new customers for our premium products;
- Continuing to monitor the performance of our product range against key competitors;
- Maintaining a competitive, consistent, premium customer experience by ensuring value-added end-to-end service;
- Enhancing customer relationships through partnerships;
- Continuing to invest in incentives attached to card products, including the Membership Rewards program;
- Attracting and retaining talented employees; and
- Focus on increasing payment business revenues, while controlling costs and improving efficiency.

Employee Strategy
To support business objectives, key employee-related strategies include:

- Deliver a great employee experience, with leading inclusion and diversity practices at the forefront
- Grow the best talent, including the best-in-class people leaders
- Develop new ways of working to unlock enterprise value by focusing on continuous improvement, ensuring that total rewards fuel individual and enterprise performance, and creating an environment where well-being is a focus for all colleagues

FINANCIAL PERFORMANCE

A number of performance indicators are used to monitor the Company's progress against our strategies and objectives. As part of the monitoring of the Company's financial performance, we review Cardmember billings; the accounts receivable balance and associated credit indicators; reserves for Cardmember losses; revenue; and expenses growth. In addition, non-financial indicators such as cards in force are monitored (net of Cardmember acquisition and attrition). All performance indicators quantified below are for the Company's continuing operations.

The Company saw continued growth in billings among consumers and corporate customers across its UK business. Total billings for the year to 31 December 2019 increased **16%** on the year to 31 December 2018.

Cards in force as at 31 December 2019 increased **4%** on the year to 31 December 2018. This trend reflects continued efforts to sustain the quality of the Company's Cardmember base, with managed attrition of higher risk and dormant Cardmember accounts, and a focus on attracting and retaining high spending premium Cardmembers.

Strategic Report for the year ended 31 December 2019 (continued)

FINANCIAL PERFORMANCE (Continued)

Cardmember loans and receivables net of reserves for Cardmember losses at 31 December 2019 stood at £0.2bn (2018: £3.2bn). The significant decrease is attributable to the fact that in 2019 the sale of Cardmember loans and receivables transitioned from a post month end sale to a month end sale. As a result, the only remaining balance at the reporting date mainly consists of unbilled Cardmember spend and uncleared remittances.

Turnover from continuing operations increased by **7%** with the Company experiencing growth across most categories of Turnover, including; Billing Credit attributable to the increase in UK Cardmember billings; amounts charged to Cardmembers in respect of fees and interest; and revenue earned in respect of services provided to other Group companies. Turnover growth was significantly lower than the **16%** billings growth primarily due to a reduction in certain categories of the Company's revenue from services to other Group companies driven by implementation of the post-Brexit operating model and linked to the level of card issuing subsidiary profitability.

Administrative expenses from continuing operations (before exceptional items) increased by **17%.** These were incurred primarily in relation to both the Company's payment services business and in providing other services to companies within the Group. Expenses attributable to the card issuing business can be both variable and fixed in nature. During the year the increase in variable expenses such as membership rewards were in line with the associated turnover categories and/or were in line with Management's expectations. Another key variable expense for the Company was the £144m loss on the sale of Cardmember loans and receivables to a related party in 2019. Compared to 2018, this increased by 49% due to a combination of Cardmember loans being sold throughout the year (Cardmember loan sales commenced towards the end of 2018) and the growth in Cardmember spend which results in larger loan and receivable balances sold.

In 2019 the Company received a successful verdict in respect of its challenge to an assessment of indirect tax in the UK (further details in Note 30). As a result, the company recognised an administrative expense recovery of £96m relating to historic indirect tax overpayments. This has been presented as an exceptional item within the 2019 Income Statement.

Profit before taxation of £232m for the Company increased by **47%** compared to the previous year. This increase was due to strong UK business growth and the aforementioned administrative expense recovery resulting from the favourable UK indirect tax assessment verdict. These profit increases were partially offset by a reduction in certain categories of the Company's revenue from services to other Group companies driven by implementation of the post-Business Transfer operating model and linked to the level of card issuing subsidiary profitability.

The Company's 2019 tax expense remained broadly consistent with the prior year despite the pre-tax profit increase. This was due to deferred tax assets recognised during the year which reduced the net tax expense.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks. The Company places great significance on ensuring sound management of credit, liquidity and market risk.

The Company primarily adopts the Group's Enterprise-wide Risk Management ("ERM") program policies and strategies. The objective of the ERM is to identify, aggregate, monitor and manage risks in order to maintain and continuously improve risk management controls and processes that will enable profitable growth, while delivering outstanding customer service.

Credit Risk
The Company's credit risk comprises two elements, individual and institutional, each with distinct risk management tools and metrics.

FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)
(i) Individual Credit Risk
The Company defines Individual Credit Risk as the risk of loss to the Company due to non-payment of an amount contractually owed to the Company by an individual, whether acting as an individual or on behalf of his or her small business.

The Company adheres to the American Express Individual Credit Risk Policy, which assigns key governance responsibilities, prescribes rules for escalating risks, and sets forth the Company's guidelines for measuring, assessing, and reporting Individual Credit Risk.

Individual Credit Risk arises principally from the Company's portfolio of consumer and small business charge and credit cards. Given that the portfolio comprises a large volume of Cardmembers, the level of Individual Credit Risk losses is driven by general economic conditions rather than by borrower specific events. Individual Credit Risk is managed using various tools including prospecting, approvals, collections and fraud prevention.

Cardmember loans and receivables are sold for funding purposes. The business model for managing the loans and receivables is determined to have a primary objective of realising cash flow through the sale of the financial assets; however it also serves as a credit risk mitigant.

(ii) Institutional Credit Risk
The Company defines Institutional Credit Risk as the risk of loss to the Company due to the non-payment of an amount contractually owed to the Company by a business or organisation.

The Company adheres to the American Express Institutional Credit Risk Policy which details its approach to managing Institutional Credit Risk and assigns key governance responsibilities, prescribes rules for escalating risks, and sets forth American Express guidelines for measuring, assessing, and reporting institutional credit risk.

Cardmember loans and receivables are sold for funding purposes. The business model for managing the loans and receivables is determined to have a primary objective of realising cash flow through the sale of the financial assets; however it also serves as a credit risk mitigant.

Institutional Credit Risk arises indirectly via Cardmembers within the Company's corporate card business. Unlike Individual Credit Risk, Institutional Credit Risk is characterised by a lower loss frequency but higher severity and is affected by both general economic conditions and by borrower specific events.

The Company also has various intercompany loans both to and from other Group entities. These facilities and amounts drawn are centrally managed by Treasury. In relation to these mid to long term financing arrangements a letter has been secured from both American Express International Inc. and American Express Travel Related Services Company, Inc. for the purposes of supporting the Company's liquidity position and maintaining its safe and sound operations for the next year. Therefore the level of credit risk attached to intercompany positions are limited.

Liquidity Risk
The enterprise wide Liquidity Risk Policy aims to ensure the Company strives to maintain franchise continuity during periods when its regular sources of funding including the sale of Cardmember loans and receivables to a related party, become impaired. Franchise continuity includes the ability to fulfil the cash requirements arising from providing its products and services as it would if its funding sources were not impaired, as well as to satisfy its contractual cash obligations in the event it cannot raise new funds.

The Group will maintain access to diverse liquidity sources, which are available to the Company. The sources will be maintained in amounts sufficient to meet the Company's business requirements and expected future financial obligations for a period of at least twelve months in the event the Company is unable to raise new funds under its regular funding programs during a substantial weakening in economic conditions.

Strategic Report for the year ended 31 December 2019 (continued)

FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk (continued)
The Company actively maintains a mixture of sustainable long-term and short-term finance that is designed to ensure that they have sufficient available funds for business continuity.

Market Risk
The Market Risk Policy objective is to identify and manage market risk exposures within the policy limits in the context of the Group's overall business model while supporting sustainable earnings growth. This is accomplished by identifying, measuring and reporting such exposures on a periodic basis and by managing its exposures within the policy limits.

(i) Interest Rate Risk
The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets are primarily cash, intercompany loans and Cardmember loans and receivables. The Company manages its exposure through having a mix of external and intercompany debt at both fixed and short term rates consistent with its business operations and enterprise-wide Market and Liquidity Risk Policies.

(ii) Foreign Exchange Risk
The Company is not ultimately exposed to any significant transaction foreign exchange risk from its operations as they are borne by a related Group entity. The Company manages foreign exchange translation risk on the financial results and any foreign currency net assets exposure of its European branches by taking out derivative forward foreign exchange contracts designated as net investment hedging instruments.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A Director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in a large organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Company. Furthermore, it is important that they understand both the short and long term consequences of these decisions.

The following paragraphs summarise how the Directors fulfil their duties:

Strategic Report for the year ended 31 December 2019 (continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (continued)

1. Risk management

The Company provides services to its customers in a highly regulated environment. As the Company grows, its business and risk environment become more complex. It is therefore vital that the Board effectively identify, evaluate, manage and mitigate the risks faced by the Company, and that their approach to risk management is continually evolving.

For details of the Company's principal risks and uncertainties, and how the Board and wider governance structure manages the Company's risk environment, please refer to the Statement of Corporate Governance Arrangements and Financial Risk Management section of the Directors' and Strategic reports respectively.

The Company has a robust internal control framework with clear roles and responsibilities for escalation and remediation of risks. The framework consists of governance, risk assessment, issue management, and reporting and monitoring by which the Company identifies, assesses, measures, monitors and controls risks facing the business. The Company has the "three lines of defense" approach to risk management (detailed within the opportunity and risk section of the Statement of Corporate Governance Arrangements).

During the year, this framework and risk management approach was utilised in the context of the business transfer whereby the Board was regularly briefed on the key risks, some of which had to be resolved prior to the business transfer to minimise disruption. This information enabled the Board to make more effective decisions when seeking solutions to mitigate these risks.

During the year, the Board was also called upon to make key decisions surrounding the implementation of Strong Customer Authentication ("SCA"). Due to industrywide challenges faced with the implementation of SCA requirements, several risks were identified and escalated to the Board accordingly. Following an in-depth briefing on the matter, the Board took decisive and informed action to proactively mitigate these risks.

2. Our People

The Company is committed to being a responsible business. The Board's behavior on behalf of the Company is aligned with the expectations of our people, customers, investors, communities and society as a whole. People are at the heart of what the Company does. For the Company's business to succeed, the Directors are ultimately responsible for managing employee performance and development, bringing through talent whilst ensuring that the Company operates as efficiently as possible. The Board must also ensure that all Company employees share common values that inform and guide their behaviour so they achieve their goals in the right way.

During the year, the business transfer resulted in a significant portion of the Company's branch employees being transferred to the equivalent branches of AEESA. This created the risk of potential employee confusion and uncertainty during this period of transition. In order to mitigate these risks and keep impacted individuals sufficiently informed and reassured throughout this process, the Board ensured that appropriate actions were taken by the relevant departments (e.g. HR, Payroll, Legal, Tax) well in advance of the business transfer. The increased levels of engagement with employees helped to minimise confusion and uncertainty during this period of transition.

For further details on our people, please refer to the Employee Engagement Statement in the Directors' report.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (continued)

3. Business relationships

The Company's strategy implemented by the Directors prioritises organic growth, by continually enhancing the Company's customer value propositions, its brand and developing and maintaining strong client relationships. The Company values all of its suppliers and partners and has multi-year contracts with many of them.

The Directors believe that delivering products and services in a fair and transparent manner is critical to providing best-in-class customer service. As part of its fundamental commitment, the Company is dedicated to engaging in customer practices that embody transparency, truthfulness, fairness, and a culture of non-discrimination. The Company manages and mitigates customer practices risk through dedicated resources and ongoing monitoring, testing, and oversight. This also applies to third-party vendors and their subcontractors, also known as fourth-party vendors.

Ahead of the business transfer, the Board ensured that steps were taken to proactively engage with our business partners and suppliers. For further details on business relationships and the actions the Board took during 2019 in this regard, please refer to the Stakeholder Engagement Statement within the Directors' report.

During the year, the Board was engaged to advise upon the implementation of SCA due to the potential of disruption to the Company's business partners. Decisions were made to mitigate the identified risks and careful consideration was made to avoid any detrimental impact to customers, suppliers or partners.

4. Community and environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. The Board on behalf of the Company wants to leverage the expertise of its people and enable colleagues to support local communities.

The Directors do this in three ways: providing leadership training that empowers local social-sector leaders to create sustainable change; helping citizen volunteers to improve their communities; and preserving diverse, vibrant historic places. By providing critical services that contribute to economic stability and mobility, the non-profit sector plays a vital role in building a healthy society. Through our philanthropic and civic participation, the Company serves and empowers the people and organisations that are confronting some of society's most complex issues.

The Company, along with Group's approach to environmental stewardship within its operations includes a focus across various themes, such as energy and emissions management, waste management, third-party green building certifications, and responsible sourcing. American Express prioritises the management and improvement of its own footprint, including the environmental impacts of our offices and operations. It is also powering its network and data centres more efficiently and with the use of renewable resources, as well as exploring more sustainable payment solutions, including utilising reclaimed ocean-bound plastic to make its cards. Finally, the Company strives to work with diverse suppliers and source environmentally and socially responsible products and services from approved third-party vendors.

Although there were no significant events during the year in relation the community or the environment that warranted escalation to the Board or specific consideration by the Company rather than the Group, if such an event were to arise it would be escalated to the Board through the Company's existing risk management and governance framework.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (continued)

5. Shareholders

The Company is a wholly owned subsidiary within the American Express group, who's ultimate parent is listed on the New York Stock Exchange. The Board of American Express Company is committed to openly engaging with its shareholders, as it recognises the importance of a continuing effective dialogue, whether with major institutional

Strategic Report for the year ended 31 December 2019 (continued)

investors, private or employee shareholders. It is important to American Express that shareholders understand our strategy and objectives, so these must be explained clearly, feedback received, and any issues or questions raised and properly considered. The Board of AESEL ensures that it applies consistent shareholder priorities. To this end, the Board regularly reviews its business strategy to ensure the steps being taken in this regard align with shareholder priorities and that said strategies maximise shareholder return. The Company's immediate parent, American Express Holdings Limited ("AEHL"), is represented on the Board by the Company's Chief Financial Officer who is also a director of AEHL.

For further details on our people, please refer to the stakeholder relationship and engagement section of the Statement of Corporate Governance Arrangements.

OUTLOOK, RISKS AND UNCERTAINTIES

In line with Group strategy, the Company is focused on maintaining growth in an uncertain economic, political and regulatory environment whilst managing costs and upholding service quality.

The investments that the Company has made over the past several years have sustained growth, positioning the Company well to continue to increase its share in the payments industry sector, and have also enabled operations to be redesigned leading to improved efficiency and customer service. The Company continues to invest carefully in order to capitalise on new opportunities for growth.

The financial, trade and legal implications of Brexit remain unclear, however the changes implemented by the Company in 2018 and 2019 are expected to mitigate these risks and ensure business continuity. The operating model implemented as part of these changes includes revenue from services to other Group companies which will have some variability linked to the performance of AEESA and AEI's card issuing businesses. The future underlying performance of these entities will therefore continue to have some impact on the future profitability of the Company.

With the outbreak of COVID-19 and its evolvement across the globe in the first quarter of 2020, Management understands the Company now faces the associated risks, such as softening on planned future earnings due to lower Cardmember spend and a potential negative impact on Cardmember credit risk. Management will continue to assess the impact of the COVID -19 outbreak on its operations and performance as the situation unfolds.

After making enquiries and giving consideration to the ongoing support from the Group, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

The strategic report was reviewed by the Board of Directors on 21 May 2020 and approved on the date specified below on its behalf by:

DocuSigned by: Charlotte Duerden 1B37A7C4A9B84A7...	DocuSigned by: David Bailey EBCDF257355E4BD...	
C Duerden	D Bailey	Date: 21 May 2020
Chairperson	Chief Financial Officer	

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMERICAN EXPRESS SERVICES EUROPE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, American Express Services Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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 Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, 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; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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 or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMERICAN EXPRESS SERVICES EUROPE LIMITED

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 31 December 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 Statement of Directors' Responsibilities set out on page 14, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMERICAN EXPRESS SERVICES EUROPE LIMITED

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.

Luke Hanson

Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 May 2020

INCOME STATEMENT
For the year ended 31 December 2019

	Note(s)	2019 Continuing Operations £000	2019 Discontinued Operations £000	2019 Total £000	2018 Continuing Operations £000	2018 Discontinued Operations £000	2018 Total £000
TURNOVER	5	**1,478,522**	**94,497**	**1,573,019**	1,378,507	533,575	1,912,082
Administrative expenses							
Before exceptional items		(1,333,266)	(103,776)	(1,437,042)	(1,132,645)	(596,685)	(1,729,330)
Exceptional items	7	96,000	-	96,000	-	-	-
Total Administrative expenses	7, 8	**(1,237,266)**	**(103,776)**	**(1,341,042)**	(1,132,645)	(596,685)	(1,729,330)
OPERATING PROFIT/(LOSS)		**241,256**	**(9,279)**	**231,977**	245,862	(63,110)	182,752
Interest receivable and similar income	10	**13,331**	**4,068**	**17,399**	3,169	830	3,999
Interest payable and similar expenses	11	**(16,111)**	**(934)**	**(17,045)**	(26,953)	(2,236)	(29,189)
PROFIT/(LOSS) BEFORE TAXATION	7	**238,476**	**(6,145)**	**232,331**	222,078	(64,516)	157,562
Tax on profit/(loss)	12	**(39,169)**	**(4,087)**	**(43,256)**	(38,217)	(4,248)	(42,465)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**199,307**	**(10,232)**	**189,075**	183,861	(68,764)	115,097

The notes on pages 31 to 97 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	**2019**	2018
		£000	£000
Profit for the financial year		**189,075**	115,097
Other comprehensive income/(expense): items that may be reclassified to income statement:			
Foreign exchange gain/(loss)		**2,918**	(1,961)
Net Investment Hedges	17	**(4,369)**	284
Total other comprehensive expense		**(1,451)**	(1,677)
Total comprehensive income for the year net of tax		**187,624**	113,420

The notes on pages 31 to 97 form an integral part of the financial statements.

BALANCE SHEET

As at 31 December 2019

Registered number: 01833139

	Note	**2019 £000**	2018 £000
NON CURRENT ASSETS			
Intangible assets	13	**2,802**	3,075
Tangible assets	14	**82,569**	55,912
Investments	15	**139,155**	54,718
Debtors	19	**1,335,535**	122,038
		1,560,061	235,743
CURRENT ASSETS			
Stocks	18	**8,457**	11
Debtors	18	**723,492**	3,677,599
Cash at bank and in hand	20	**397,772**	360,734
Assets classified as held for sale		**-**	3,385,274
		1,129,721	7,423,618
TOTAL ASSETS		**2,689,782**	7,659,361
CREDITORS: Amounts falling due within one year			
Creditors	21	**(945,465)**	(4,142,824)
Creditors directly associated with assets classified as held for sale		**-**	(2,317,245)
		(945,465)	(6,460,069)
NET CURRENT ASSETS		**184,256**	963,549
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,744,317**	1,199,292
CREDITORS: Amounts falling due after more than one year	22	**(555,379)**	(81,189)
PROVISIONS FOR LIABILITIES			
Provisions	25	**(142,338)**	(135,067)
Provisions directly associated with assets classified as held for sale		**-**	(128,426)
		(142,338)	(263,493)
NET ASSETS		**1,046,600**	854,610

BALANCE SHEET

As at 31 December 2019

Registered number: 01833139

	Note	2019 £000	2018 £000
CAPITAL AND RESERVES			
Called up share capital	27	**211,788**	211,788
Share Premium account		**52,574**	52,574
Share based payment reserve		**13,872**	21,739
Translation reserve		**(7,183)**	(10,101)
Retained earnings		**775,549**	578,610
TOTAL SHAREHOLDERS' FUNDS		**1,046,600**	854,610

The financial statements on pages 26 to 97 were approved by the Board of Directors on 21 May 2020 and signed on its behalf by:

DocuSigned by:
Charlotte Durden
1B37A7C4A9B84A7...
C Duerden

Chairperson

DocuSigned by:
David Bailey
EBCDF257355E4BD...
D Bailey

Chief Financial Officer

Date:

21 May 2020

The notes on pages 31 to 97 form an integral part of the financial statements.

American Express Services Europe Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019
Registered number: 01833139

For the year ended 31 December 2019	Called up Share Capital	Share Premium Account	Share Based Payment Reserve	Translation Reserve	Available for sale reserve	Retained Earnings	Total Shareholders' Funds
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2019	211,788	52,574	21,739	(10,101)	-	578,610	854,610
Profit for the financial year	-	-	-	-	-	189,075	189,075
Other comprehensive expense	-	-	-	2,918	-	(4,369)	(1,451)
Total comprehensive income	-	-	-	2,918	-	184,706	187,624
Current and Deferred tax movements in equity (Note 12)	-	-	3,233	-	-	-	3,233
Share based payment reserve transfer	-	-	(12,233)	-	-	12,233	-
Share-based payments charge	-	-	12,037	-	-	-	12,037
Recharge paid to parent for share based payments	-	-	(10,904)	-	-	-	(10,904)
At 31 December 2019	**211,788**	**52,574**	**13,872**	**(7,183)**	-	**775,549**	**1,046,600**

For the year ended 31 December 2018	Called up Share Capital	Share Premium Account	Share Based Payment Reserve	Translation Reserve	Available for sale reserve	Retained Earnings	Total Shareholders' Funds
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2018	199,068	10,714	23,680	(8,140)	45	489,360	714,727
Adjustments on initial application of IFRS 9	-	-	-	-	(45)	(23,839)	(23,884)
Restated balance	199,068	10,714	23,680	(8,140)	-	465,521	690,843
Profit for the financial year	-	-	-	-	-	115,097	115,097
Other comprehensive expense	-	-	-	(1,961)	-	284	(1,677)
Total comprehensive income	-	-	-	(1,961)	-	115,381	113,420
Current and Deferred tax movements in equity (Note 12)	-	-	193	-	-	-	193
Share based payments charge	-	-	18,752	-	-	-	18,752
Recharge paid to parent for share based payments	-	-	(20,886)	-	-	-	(20,886)
Recharge paid to parent for share based payments	-	-	-	-	-	(2,292)	(2,292)
Proceeds from shares issued during the year	12,720	41,860	-	-	-	-	54,580
At 31 December 2018	**211,788**	**52,574**	**21,739**	**(10,101)**	-	**578,610**	**854,610**

As at 31st December 2019 £80.9m of retained earnings were non-distributable.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. PRINCIPAL ACTIVITES AND GENERAL INFORMATION

The principal activity of American Express Services Europe Limited ("AESEL" or "the Company") is the provision of financial services in relation to payment services.

The Company is engaged in the issuing of a wide range of charge cards and revolving credit cards, including the provision of products and services related to consumer and corporate clients. The Company also offers a range of foreign currency payment solutions, together with a range of rewards schemes, including those which award customers who hold the Company's cards ("Cardmembers") points based on the amount they spend.

On 1st March 2019, the Company, in response to the regulatory risk posed by Brexit in relation to the ability of the Company to passport its card issuing business from the UK into the European Economic Area ("EEA"), transferred certain passporting reliant card issuing operations in Europe ("business transfer") to its Spanish subsidiary, American Express Europe S.A. ("AEESA") and Italian subsidiary, American Express Italia S.r.l. ("AEI"). Assets and liabilities within the scope of the business transfer are presented as held for sale in the 2018 comparative.

The results of the operations transferred are reported in the current and prior year Income Statement as discontinued operations. At the signing date the impacted branches no longer continue to perform passporting reliant activities. Branches that no longer perform any business activities and have no other requirement to remain will be deregistered in the foreseeable future.

AESEL is a private company limited by shares, registered in England and Wales, domiciled in the United Kingdom and is part of the American Express group of companies ("the Group"). The address of its registered office is Belgrave House, 76 Buckingham Palace Road, London, SW1W 9AX.

2. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS101

The financial statements of the Company for the year ended 31 December 2019 were reviewed by the Board of Directors on 21 May 2020 and approved on the Board's behalf by C Duerden and D Bailey.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company is able to take advantage of certain disclosure exemptions available under FRS101 as it is a wholly owned subsidiary of American Express Company.

The Company has taken advantage of the exemptions under s401 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of American Express International Inc. ("AEII") incorporated in the United States of America, a larger Group entity incorporated outside of the European Economic Area.

The Company's immediate parent is American Express Holdings Limited, a subsidiary of AEII. American Express Holdings Limited owns 90.15% of the Company, with the remaining 9.85% belonging to Amex NL Holdings 99, LLC (another subsidiary of AEII). AEII is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 31 December 2019. The ultimate parent and controlling entity is American Express Company, incorporated in the United States of America. American Express Company is the parent undertaking of the largest group of undertakings to consolidate these financial statements as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

2. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS101 (continued)

Copies of the American Express Company and American Express International Inc. financial statements can be obtained from American Express Company, American Express Tower, World Financial Center, New York, NY 10285, USA.

The principal accounting policies adopted by the Company are set out in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been consistently applied in the preparation of these financial statements are set out below:

3.1 Basis of preparation
The financial statements are prepared in accordance with FRS101 and the Companies Act 2006. The financial statements are prepared on a going concern basis under the historical cost convention, modified by the revaluation of financial instruments and derivatives to fair value through profit and loss and assets held for sale measured at the lower of carrying amount and fair value less costs to sell. The Board remain satisfied with the appropriateness of preparing the financial statements on a going concern basis following the additional consideration of the Company's ongoing support from the Group. The functional currency is pounds sterling (£) and the financial statements are presented in pounds sterling with values rounded to the nearest thousand (£000) unless otherwise stated.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.27.

The Company has taken advantage of the following disclosure exemptions allowed under FRS101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated
- the requirements of paragraph 52 of IFRS 16 Leases.
- the requirements of IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, plant and equipment;
  - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- the requirements of the following paragraphs of IAS 1 'Presentation of Financial Statements':
  - 10(d) *statement of cash flows;*
  - 10(f) *balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements;*
  - 16 *statement of compliance with all IFRS;*

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation (continued)

- 38(a) *requirement for minimum of two primary statements, including cash flow statements;*
- 38(b)-(d) and 40 (a) *additional comparative information*; and
- 111 *cash flow statement information*;

- the requirements of IAS 7 'Statement of Cash Flows' to prepare a statement of cash flows;
- the requirements of IAS 8 'Accounting Policies Changes in Accounting Estimates and Errors' paragraphs 30 and 31, concerning new IFRS that have been issued but are not yet effective;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';
- the requirements of IAS 24 'Related Party Disclosures' paragraphs 17 and 18A to disclose the compensation of key management personnel; and
- the requirements of 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.

(a) Standards and Interpretations effective in 2019

The entity has adopted the following standards and amendments to standards with an initial date of application of 1 January 2019.

- **IFRS 16 Leases**

  Effective 1 January 2019, the Company adopted the new lease standard 'IFRS 16 Leases' issued by the IASB and elected to apply the modified retrospective approach. Comparative information therefore has not been restated and continues to be reported under IAS 17 and IFRC 4 as permitted under the specific transition provisions in the standard. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately in Note 3.26 Leases. Upon adoption, the Company recognised right-of-use assets and lease liabilities on its Balance Sheet for all leases, with terms greater than 12 months, which were previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments as of 1 January 2019, discounted using the Company's incremental borrowing rate of 1.57%. Right-of-use assets were measured at an amount equal to the lease liabilities adjusted by deferred rent. The Company recorded £30.7m in right-of-use assets in Tangible Assets (see Note 14) and £30.96m in lease liabilities in Creditors (see Notes 21, 22 & 24) as of 31 December 2019 in its Balance Sheet.

  When assessing the impact of applying IFRS 16, contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The Company used the following additional permitted practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

  - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
  - Applied a single discount rate to portfolio of real estate leases
  - A reconciliation of operating lease commitments disclosed at 31 December 2018 to the lease liability recognised as at 1 January 2019, is as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

- **IFRS 16 Leases (continued)**

	£'000
Operating lease commitments disclosed as at 31 December 2018	20,743
Held for sale leases reinstated	2,990
Discounted using the incremental borrowing rate at 1 January 2019	(940)
Add: adjustments as a result of a different treatment of extension and termination options	11,461
(Less): adjustments exclude rent payments paid as at 1 January 2019	(1,826)
Lease liability recognised as at 1 January 2019	32,428

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability at 1 January 2019 are determined at the carrying amount of the lease assets and liabilities under IAS 17 immediately before that date.

The adoption of the standard did not have an impact on Retained Earnings at 1 January 2019 or the Income Statement. Additional lease disclosures have been included in Note 3.26 Leases and Note 24 Lease liabilities.

- **IFRIC 23 Uncertainty over Income Tax Treatment-IAS 12**
  Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted.

  The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatment. This amendment did not have any impact on the Company's financial statements upon adoption.

- **Annual Improvements to IFRSs 2015-17 Cycle**
  - The amendments to IFRS 3, 'Business combinations' require that entities remeasure their previously held interest in a joint operation when they obtain control of the business. The amendment has no impact on the Company's financial statements.
  - The amendments to IFRS 11, 'Joint arrangements' require that entities do not remeasure their previously held interest in a business that is a joint operation when they obtain joint control. The amendment has no impact on the Company's financial statements.
  - The amendments to IAS 12, 'Income taxes' require that entities recognise the income tax consequences of dividends on financial instruments classified as equity according to where the past transactions or events that generated distributable profits were recognised. The amendment has no impact on the Company's financial statements.
  - The amendments to IAS 23, 'Borrowing costs' require that entities treat as part of general borrowings, any specific borrowing related to developing an asset that is outstanding when the asset is ready for its intended use or sale. The amendment has no impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

- **Long-term Interests in Associates or Joint Ventures- Amendments to IAS 28**
  The amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture if it does not apply the equity method to those interests. The amendment has no impact on the Company's financial statements.

- **Prepayment features with negative compensation- Amendments to IFRS 9**
  The narrow scope amendments to IFRS 9 relate to financial assets with contractual prepayment options that could result in 'negative compensation' (where the lender receives an amount less than the unpaid amounts of principal and interest if the borrower chooses to prepay). The amendment has no impact on the Company's financial statements.

- **Plan amendment, curtailment or settlement – Amendments to IAS 19**
  The amendments to IAS 19 require an entity to use updated actuarial assumptions to determine the current service cost and the net interest for the period after a plan amendment, curtailment or settlement. Further, any reduction in surplus be recognised as part of past service cost (or a gain/ loss on settlement) in profit or loss even if that surplus was not recognised in profit or loss previously because of the asset ceiling impact. The amendment clarifies that these effects are not offset. The amendment has no material impact on the Company's financial statements.

(b) Standards and amendments early adopted by the Company
No new or amended standards and interpretations were adopted early by the Company.

3.2 Foreign currency translation
(a) Functional and presentational currency
The Company records financial transactions in a variety of currencies across its operating units. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements of the Company are presented in pounds sterling (£), which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 borne by a related Group entity.

(c) Foreign Branches
The assets and liabilities of foreign branches that have a different functional currency are translated into pounds sterling (£) as follows;

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that Balance Sheet;
- income and expenses for each Income Statement are translated at average exchange rate; and
- all resulting exchange differences are recognised in Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Disposal groups held for sale and discontinuing operations

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of disposal groups, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal groups is recognised at the date of derecognition.

Disposal groups are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets of a disposal group classified as held for sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Balance Sheet.

A discontinuing operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinuing operations are presented separately in the Income Statement.

All the quantitative information forming part of the notes to the financial statements is presented in relation to continuing operations unless otherwise stated.

3.4 Tangible assets

Cost

Tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses which are recognised within administrative expenses. Costs include 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 the Company's management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis to write off the net cost of each item of property or plant and equipment to its residual value over their expected useful life to the Company. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

The estimated useful lives of each class of assets are:

Leasehold improvements	- over 5 to 10 years
Furniture & fittings	- over 3 to 8 years
Plant and Machinery	- over 3 to 8 years
Right of Use	- over 1 to 15 years
Assets in course of construction	- not depreciated until brought into use

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Tangible assets (continued)

In the event of an impairment trigger event being enacted, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing net proceeds with carrying amount and are included in the Income Statement.

Repairs and maintenance (as opposed to improvements and enhancements of existing assets) are charged to the Income Statement during the period in which they are incurred.

3.5 Intangible assets

Acquired customer relationships, customer lists and other contract-based intangible assets are carried at historical cost less accumulated amortisation and any accumulated impairment losses which are recognised within administrative expenses. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of fifteen years.

3.6 Investment

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

3.7 Business combinations, acquisitions and disposals

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties after the combination are accounted for in the financial statements prospectively ("the predecessor values method") from the date the Company obtains the ownership interest. Upon the acquisition of a business or entity, the assets and liabilities of the combined entities or businesses are recognised at their book values. Under the predecessor values method, the investments in subsidiaries are recognised at cost. The cost at the point of recognition is deemed to be equivalent to net book value if the entities involved in such transaction are under common control. No goodwill or discount on acquisition is recognised. An impairment assessment is carried out annually and recognised if the recoverable amount of the investment is less than the carrying amount and the loss is recognised in the Income Statement.

For disposals where a business is transferred to a subsidiary within a business combination, the cost is the consideration paid to acquire the investment in the subsidiary, not the consideration received from the subsidiary for the acquisition of the net assets comprising the business. The consideration paid is therefore the carrying value (equivalent to book value) of the assets transferred.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever market or economic events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (i.e. the higher of an asset's fair value less costs to sell and its value-in-use). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

3.10 Financial assets

The Company classifies its financial assets at fair value through profit or loss (FVTPL) and at amortised cost. The Company did not hold any financial assets classified as fair value through other comprehensive income (FVTOCI) during the reporting period.

The classification is determined on the basis of both: 1) the Company's business model for managing the financial assets and 2) the contractual cash flow characteristics of the financial asset. For an asset to be measured at amortised cost, the contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition.

Interest is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Management determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is generally irrevocable. Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrower.

(a) Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in Other Comprehensive Income. The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so either:

(i) eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or liabilities or recognising the gains and losses on them on different bases; or
(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Financial assets cannot be transferred into or out of this category after inception except under very specific circumstances, whereby they are recognised initially at fair value, with transaction costs are taken directly to the Income Statement. Financial assets at fair value through profit and loss are subsequently measured at fair value. Fair value is determined in the manner described in Note 16.

Assets in this category are classified as current assets if they are expected to be realised within 12 months after the Balance Sheet date. If the Company intends to realise the assets 12 months after the Balance Sheet date, it is classified as non-current.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement within other income (included within administrative expenses in the Income Statement) in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial assets (continued)

Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement as part of other income when the Company's right to receive payment is established.

Cardmember loans or receivables are classified under IFRS 9 as mandatorily measured at FVTPL because they are held within a business model whose objective is achieved by selling the financial assets.

(b) Financial assets at amortised cost

Financial assets at amortised cost are financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are included in current assets, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets.

Financial assets at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Certain Cardmember loans and receivables are classified under IFRS 9 as mandatorily measured at amortised cost because they are held within a business model whose objective is achieved by collecting contractual cash flows.

(i) Cardmember receivables

Cardmember receivables represent amounts due from Charge card customers. These receivables are recorded at the time a Cardmember enters into a point-of-sale transaction with a merchant. Cardmember receivable balances at amortised cost are presented on the Balance Sheet net of reserves for expected credit losses, and include principal and any related accrued fees.

IFRS 9 classification is dependent on the relevant business model applied (see 3.10(a) and 3.10(b)).

(ii) Cardmember loans

Cardmember loans represent amounts due from lending product customers. These loans are recorded at the time a lending Cardmember enters into a point-of-sale transaction with a merchant or when a Charge card customer enters into an extended payment arrangement. Cardmember loans at amortised cost are presented on the Balance Sheet net of reserves for Cardmember expected credit losses, and include accrued interest receivable and fees as of the Balance Sheet date. Cardmember loans also include balances with extended payment terms on certain Charge card products.

IFRS 9 classification is dependent on the relevant business model applied (see 3.10(a) and 3.10(b)).

(iii) Other loans

Other loans are recorded at the time any extension of credit is provided to consumer and commercial customers for non-card financing products. Non-card financing products are not associated with a Cardmember agreement, and instead are governed by a separate borrowing relationship

(iv) Loans due from Group undertakings

Loans due from Group undertakings represent amounts due from other Group companies. Expected credit losses are not material given the nature of the lending and the strong credit position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial assets (continued)

(b) Financial assets at amortised cost (continued)

(v) Other debtors

Other debtors relate to travel and regular trade receivables due to the Company in the normal course of business. Expected credit losses are not material given the typically short term nature of these balances.

3.11 Impairment of financial assets

The Company assesses financial assets, other than those at fair value through profit or loss, for credit losses at each Balance Sheet date, and measures loss allowance for expected credit losses. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company will measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. The Company will measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

(a) Cardmember loans and receivables

For the purposes of a collective evaluation of impairment, Cardmember loans and receivables are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past due status and other relevant factors, with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The aggregation of financial instruments to assess whether there are changes in credit risk on a collective basis may change over time as new information becomes available on groups of, or individual, financial instruments.

The expected credit losses in a group of financial assets that are collectively evaluated for impairment are estimated in a way that reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range on the basis of possible outcomes;
(ii) the time value of money; and
(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

A credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract, and the cash flows that the entity expects to receive. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Loans due from Group undertakings

Loans due from Group undertakings represent amounts due from other Group companies and as such are not subject to any material impairment losses given the nature of the lending and the strong credit position of the Group.

3.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. A transferred asset and the associated liability are not offset where a transfer of a financial asset does not qualify for derecognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Derecognition of financial instruments, including receivables

Financial instruments are derecognised when the rights to receive cash flows have expired or a transfer of the financial instruments has taken place where the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

Transfers of financial assets that do not meet derecognition criteria are accounted for as secured borrowings in the Balance Sheet. Financial liabilities are derecognised when they are extinguished.

3.14 Derivatives financial instruments and hedge accounting

(a) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of the Company's derivative financial instruments are determined using either market quotes or valuation models that are based upon the net present value of estimated future cash flows and incorporate current market data inputs. The Company reports its derivative assets and liabilities on a net by counterparty basis where management has the legal right of offset under enforceable netting arrangements and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

(b) Hedge accounting

Derivative financial instruments that are entered into for hedging purposes are designated as such when the Company enters into the contract. For all derivative financial instruments that are designated for hedging activities, the Company formally documents all of the hedging relationships between the hedge instruments and the hedged items at the inception of the relationships. Management also formally documents its risk management objectives and strategies for entering into the hedge transactions.

In accordance with its risk management policies, the Company generally structures its hedges with very similar terms to the hedged items; therefore, when applying the accounting requirements, the Company generally recognises insignificant amounts of ineffectiveness through earnings. If it is determined that a derivative is not highly effective as a hedge, the Company will discontinue the application of hedge accounting.

The Company has a formal process for assessing whether derivatives designated as hedges are highly effective in offsetting the fair value or cash flows of hedged items, at inception and on a monthly basis. These assessments usually are made through the application of the 'dollar-offset' method.

Hedges of net investments

The Company designates certain derivatives as hedges of a net investment in a foreign operation (net investment hedge).

A net investment hedge in a foreign operation is used to hedge future changes in currency exposure of a net investment in a foreign operation. Hedges of net investments in foreign operations, including monetary items that are accounted for as part of the net investment, are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is recognised directly in equity and the ineffective portion is recognised immediately in the Income Statement. The cumulative gain or loss previously recognised in equity is recognised in the Income Statement on the disposal or partial disposal of the foreign operation.

The foreign exchange gains/losses on net investment hedging instruments in relation to non-consolidated subsidiaries are recognised in the Income Statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Cash at bank and in hand

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 90 days or less, and bank overdrafts. It also includes funds held on behalf of customers in safeguarded accounts, primarily caused by Cardmember overpayments.

Bank overdrafts are shown as bank loans and overdrafts within creditors falling due within one year on the Balance Sheet.

All cash and bank balances and money market instruments are carried at the principal amount. Interest is recognised using the effective interest method.

3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Financial liabilities

(a) Financial liabilities at fair value through profit or loss

Financial instruments are classified in this category if they are derivatives, held for trading, or if they are designated by management under the fair value option.

Financial liabilities at fair value through profit or loss are initially measured at fair value, with transaction costs taken directly to the Income Statement, and subsequently stated at fair value, with any resultant gain or loss recognised in the Income Statement. The net gain or loss recognised in the Income Statement incorporates any interest paid on the financial liability.

(b) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest method, with interest expense recognised in the Income Statement on an effective yield basis. Other financial liabilities are classified as borrowings, trade creditors, other creditors and accruals in the Balance Sheet.

Preference shares which are mandatorily redeemable on a specific date, are classified as liabilities.

(c) Financial loan commitments

These commitments represent the amount of unutilised credit outstanding on the Cardmember loans issued by the Company and are not applicable to Cardmember receivables due to the short term nature of these balances and there being no deemed commitment. Given that Cardmember loans are classified as FVTPL (due to past practice of selling these assets) IFRS 9 requires the recognition of an undrawn commitment which is also classified as FVTPL. The fair value of the undrawn commitments leverages IFRS 9 expected credit loss calculation methodology of the unfunded commitment (refer to Note 3.27 on accounting estimates and judgements and Note 16 classification of financial instruments) and is reported as part of other creditors. The Company has not provided any loan commitments at below market interest rates or that can be settled net in cash or by delivering or issuing another financial instrument.

3.18 Borrowings

Borrowings are recognised initially at fair value, generally their cash equivalents, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Borrowings (Continued)

Borrowings which are due to be settled within 12 months after the Balance Sheet date are presented as current borrowings even if the original term was for a period longer 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the Balance Sheet date and before the financial statements are authorised for issue.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. All other borrowing costs are recognised as an expense in the Income Statement using the effective interest method in the period in which they are incurred.

3.19 Current and deferred tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Balance Sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax charges and credits are recognised in the Income Statement, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax charge is recognised in Other Comprehensive Income or directly in Equity.

3.20 Employee benefits

(a) Wages and salaries, annual leave and sick leave, bonuses and long service leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions and accruals in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date as a result of restructuring or whenever an employee accepts voluntary redundancy in exchange for termination benefits. The Company recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal. Benefits falling due more than 12 months after the Balance Sheet date are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Employee benefits (continued)

(c) Pension obligation

American Express Company provides pension arrangements for employees through defined benefit plans in the UK, the Netherlands, Germany and Italy, and through defined contribution schemes in the UK, Germany and Sweden. The participating employers of the UK plan share the associated risks of the plan under common control, with no stated policy of sharing net defined benefit cost or for determining the contributions to be paid by each sponsoring employer. None of the participating legal entities have been assessed as being sponsoring employers of the plan. As a result, American Express UK legal entities account for the plans as if they were a defined contribution arrangement with additional disclosure notes for the material plans (UK and Germany), compliant with IAS 19. Contributions are charged to the Income Statement in the period in which they are paid. Payments to the Company's defined contribution stakeholder pension schemes are recognised as an expense as they fall due.

(d) Share based compensation plans

The Company engages in equity-settled share-based awards in respect of services received from certain employees. For equity-settled awards, the fair value of services received is measured by reference to the fair value of the stock awards or share options granted on the date of grant. The cost of employee services received in respect of the stock awards or share options granted is recognised in the Income Statement over the vesting period. The vesting period is the shorter of the vesting schedule as defined in each award agreement or the date an individual will become eligible to retire. Retirement eligibility is dependent upon age and/or years of service.

The fair value of options granted is determined by using the 'Black-Scholes-Merton' option-pricing model. Restricted Stock awards that do not include the Relative Total Shareholder Return (R-TSR) modifier are determined using our stock price on the date of grant and the performance-based Restricted Stock Awards that include the R-TSR modifier are determined using a Monte Carlo valuation model. The R-TSR modifier is a specific performance condition that defines total shareholder return as the stock price appreciation over the performance period in comparison to American Express' peers and is a determining factor in the final shares issued to an employee.

As options and awards on American Express Company shares are granted by the ultimate parent company to the employees of the Company, those awards are accounted for in equity. The Company has an obligation to repay the ultimate parent company for the share-based payments, and that repayment is offset against equity to the extent that it has been paid or is payable to the ultimate parent company.

Portfolio Grants are primarily cash-settled but are treated as equity-settled at the Company level, because the Company does not have an obligation to settle the award. An expense is recognised in the Company's income statement over the vesting period; and a credit is recognised in equity. These awards earn value based on American Express Company's financial performance, market and service conditions, and vest over periods from one to three years.

3.21 Provisions and contingent liabilities

Provisions are recognised where the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised on future operating losses. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

Provisions are measured at the present value of the expected required expenditures to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.21 Provisions and contingent liabilities (continued)

Contingent liabilities are disclosed when there is a present obligation that arises from past events but are not recognised because the amount of the obligations cannot be measured reliably, or where there is a possible obligation arising from

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

3.22 Exceptional items

Items that are (i) material, (ii) result in the generation of revenues or expenses outside the ordinary course of the Company's business and (iii) are not expected to recur in subsequent years are separately presented in the Income Statement as an exceptional item.

3.23 Revenue recognition

Revenue comprises income arising in the course of the Company's ordinary activities net of value-added and other taxes, rebates and discounts.

The Company recognises revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognised as follows:

- Billing Credit revenue is earned from another Group company for the service and functions the Company provides to the American Express network. The revenue that the Company earns is a proportion of the charges it bills to its Cardmembers, on account of their spend. Revenue is recognised in the period in which the Cardmember spend occurs and is presented net of a trademark royalty payable to another Group company. The Company satisfies its obligations under these agreements over the contract term, often on a daily basis, through the processing of Cardmember transactions and the availability of our payment network.
- Card fees represent revenue earned from annual card membership fees, which vary based on the type of card and the number of cards for each account. The Company offers various card products, including both charge and lending products, with a range of associated services and benefits. The annual fee entitles the Cardmember to use the card to make purchases at merchants on the American Express network, as well as provides the Cardmember with access to the card-related services and benefits. Benefits associated with a card product may include access to the Membership Rewards program, or a third-party reward program, and the ability to earn points that are redeemable for a variety of goods and services in these programs by spending on the card product. The Company satisfies its obligations to the Cardmember over the annual membership term, through the processing of Cardmember transactions and enabling the availability of the card-related benefits and services. Card fees, net of a reserve for projected refunds for Cardmember cancellation, are deferred and recognised on a straight-line basis over the 12-month card membership period as net card fees in the Income Statement. Credit and Charge card fees are recognised in turnover in the Income Statement and the unamortised net card fee balance is reported in creditors in the Balance Sheet. Incremental costs incurred to acquire Cardmembers are capitalised as an asset within debtors and amortised on a straight-line basis over the expected Cardmember account life which is estimated based on historical experience and any relevant current information.
- Spread revenue arises from remittance and money changing operations and is recognised when there is an exchange rate difference arising from the buying and selling of foreign currencies, as these currency transactions take place.
- Interest revenue is recognised using the effective interest rate method based upon the principal amount outstanding in accordance with the terms of the applicable account agreement (further information is provided in Note 3.25).

3.23 Revenue recognition (continued)

- Other commissions and fees include certain variable fees charged to Cardmembers, including foreign currency conversion fees, delinquency fees and travel commission and fees. Currency conversion and delinquency fees are primarily recognised in the period in which the Cardmember uses the card-related

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

service (such as the foreign currency conversion). Travel commissions and fees for travel agency services include commissions from third-party travel suppliers, such as hotels and airlines, as an agent for facilitating travel arrangements between the travel suppliers and Cardmembers, which are primarily recognised at the point in time the reservations or travel arrangements are booked.

- Revenue from services to other related Group entities arises when the Company performs a service on behalf of another related Group entity. The Company charges the related Group entity on an arm's length basis, with this revenue being recognised in the period in which the service is provided. The Company determines these revenues using either traditional transaction methods or transactional profit methods. This category of revenue includes post-business transfer operating model income for the Company's entrepreneurial role which is calculated using a combination of inputs, including subsidiary targeted arm's length profit margins and subsidiary Cardmember spend. Entrepreneurial fee income is recognised throughout the year based on forecast data and aligned to actual results at the end of the reporting period.

3.24 Membership rewards expense
Cardmembers can earn Membership Rewards points for purchases charged on their enrolled card products. Membership Rewards points are redeemable for a broad variety of rewards, including travel, shopping, gift cards, and covering eligible charges. Membership Rewards points typically do not expire, and there is no limit on the number of points a Cardmember may earn. Membership Rewards expense is driven by spend volume on enrolled cards, customer participation in the program and contractual arrangements with redemption partners.

The Company records a Membership Rewards liability that represents the estimated cost of Membership Rewards points earned that are expected to be redeemed by Cardmembers in the future. The Membership Rewards liability is impacted over time by enrollment levels, attrition, the volume of points earned and redeemed, and the associated redemption costs. The Company estimates the Membership Rewards liability by determining the ultimate redemption rate ("URR") and the weighted average cost ("WAC") per point, which are applied to the points of current enrollees. The URR assumption is used to estimate the number of Membership Rewards points earned by current enrollees that will ultimately be redeemed in future periods.

The Company periodically evaluates its liability estimation process and assumptions based on developments in redemption patterns, cost per point redeemed, partner contract changes and other factors. The process of estimating the Membership Rewards liability includes a high degree of judgment. Actual redemptions and associated redemption costs could differ significantly from our estimates, resulting in either higher or lower Membership Rewards expense. Changes in the Membership Rewards URR and WAC per point have the effect of either increasing or decreasing the liability through the current period Marketing, promotion, rewards and Card Member services expense by an amount estimated to cover the cost of points previously earned but not yet redeemed by current enrollees as of the end of the reporting period.

3.25 Interest income and expense
Interest on Group financing activities and Cardmember lending is earned or recognised using the average daily balance method. Interest is recognised based upon the loan principal amount outstanding in accordance with the terms of the applicable account agreement until the outstanding balance is paid or written-off.

Interest income is presented gross of the related interest expense. Interest income associated with Cardmember lending is presented as turnover and represents income earned from the fair valued assets. Interest income on Group related financing activities is presented as Interest receivable and similar income.

3.25 Interest income and expense (continued)
Interest income and expense are recognised in the Income Statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

For amortised cost receivables that are not credit impaired ("stage 1" and "stage 2"), interest income is calculated based on the gross carrying amount of the asset. When a receivable is impaired ("stage 3"), interest income will be calculated based on the net carrying amount (net of credit allowances). Interest income on impaired loans is recognised using the original effective interest rate.

3.26 Leases
The Company primarily maintains operating leases for its office real estate facilities, under non-cancelable and cancelable lease agreements.

Policy applicable before 1 January 2019 (IAS 17)
In the comparative period, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the Income Statement on a straight-line basis over the period of the lease.

Leases are classified as finance leases where the Company has substantially all the risks and rewards of ownership. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Policy applicable from January 1 2019 (IFRS 16)
Effective January 1, 2019 the Company recognises right-of-use assets and lease liabilities for operating leases with terms greater than twelve months. The Company's policy is not to separate lease and non-lease components when measuring the real estate right-of-use assets and lease liabilities.

Lease liabilities are recognised at lease commencement date and measured at the present value of the remaining contractual fixed lease payments, discounted using the Company's incremental borrowing rate. Right-of-use assets are recognised and measured at the respective lease liabilities, adjusted by prepaid lease payments, initial direct costs, and offset by lease incentives received. Right-of-use assets are depreciated over the shorter of the useful life and the lease term. Variable lease payments are excluded from the Right-of-use assets and lease liabilities, and are recognised in the period in which the obligation for those payments is incurred.

The Company presents right-of-use assets in tangible assets and lease liabilities in Creditors in the Balance Sheet.
The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases for real estate leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.27 Accounting estimates, assumptions and judgements

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Company's accounting policies.

Estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Membership rewards provision

The Company records a Membership Rewards liability that represents the estimated cost of Membership Rewards points earned that are expected to be redeemed by Cardmembers in the future. The Membership Rewards liability is impacted over time by enrollment levels, attrition, the volume of points earned and redeemed, and the associated redemption costs. The Company estimates the Membership Rewards liability by determining the ultimate redemption rate ("URR") and the weighted average cost ("WAC") per point, which are applied to the points of current enrollees. The URR assumption is used to estimate the number of Membership Rewards points earned by current enrollees that will ultimately be redeemed in future periods. The Company uses statistical and actuarial models to estimate the URR of points earned to date by current Cardmembers based on redemption trends, card product type, enrollment tenure, card spend levels and credit attributes. The WAC per point assumption is used to estimate future redemption costs and is primarily based on redemption choices made by Cardmembers, reward offerings by partners, and Membership Rewards program changes. The WAC per point is derived from the previous 12 months of redemptions and is adjusted as appropriate for certain changes in redemption costs that are not representative of future cost expectations.

A movement of 1% (100 bps) in the URR would result in an increase in the 2019 membership rewards expense by approximately £5m.

There are a number of other estimates made in the preparation of the financial statements. However, these are not considered critical accounting estimates based on the IAS 1 definition.

Judgements

The preparation of the financial statements involves a number of judgments. The items with a higher degree of judgment or complexity are:

- Held for sale balances and discontinued operations Income Statement line items – Note 3.3 Disposal groups held for sale and discontinuing operations
- Business model assessment and FVTPL designation of Cardmember loans and receivables – Note 3.10 (a) Financial assets at fair value through profit or loss
- Fair value of undrawn commitment – Note 3.17(a) Financial liabilities at fair value through profit or loss
- Defined benefit pension scheme
- Accounting for the business transfer
- Membership rewards provision

Held for sale balances and discontinued operations Income Statement line items

In order to separately present the current and prior year results from discontinued operations and the associated 2018 held for sale balances, management has applied various judgements. These included the application of historical results, product performance metrics and the balance split ratio quantified upon business transfer.

3.27 Accounting estimates, assumptions and judgements (continued)

Held for sale balances and discontinued operations Income Statement line items (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management have applied different methodologies dependent on the granularity of available information and the nature of the transactions and balances in order to ensure the accuracy of the discontinued operations and held for sale balances presented.

Business model assessment and FVTPL designation of Cardmember loans and receivables

As outlined in Note 3.10 (a) and (b) Cardmember loans and receivables are classified as FVTPL due to there being a business model in place whose objective is achieved by selling those loans and receivables to an affiliate entity on a regular basis. The Company's judgement in making this determination and consequently in classifying those Cardmember loans and receivables at FVTPL is formed on the basis of management's intention to continue such sales for the foreseeable future and the past practice of realising cashflows on these assets through sale.

Fair value of undrawn commitment

Under IFRS 9, the undrawn commitment in relation to future Cardmember spend should be measured at fair value when there is a past practice of selling the assets resulting from these commitments shortly after origination. Management applied judgement in determining that the undrawn commitment should only consist of the expected credit losses on future spend, discounted at the effective interest rate. In assessing whether the fair value of future card fees and future expenses to support the commitment should be included within this fair value calculation, management concluded that both elements relate more to the overall Cardmember relationship rather than specifically the undrawn commitment. These elements were therefore excluded. The calculation of the fair value of the undrawn commitments leverages IFRS 9 expected credit loss calculation methodology (see Note 4 (c) for further details). Other methodologies could also be applied but management have made a judgment to apply this approach.

Defined benefit pension scheme

Certain employees participate in defined benefit pension schemes with several participating employers sharing the risks between entities under common control. The plans do not have a stated policy for sharing net defined benefit cost or for determining the contributions to be paid by each participating legal entity for these schemes. None of the participating legal entities have been assessed as being sponsoring employers of the plans. In the judgment of the directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for a defined contribution scheme (see Note 28 for further details).

Accounting for the business transfer

In the absence of specific guidance around common control transactions, particularly from the perspective of the transferring entity, Management have had to make a judgement around what constitutes consideration in exchange for the assets and liabilities disposed of in relation to the business transfer. Management have concluded that the cost is the consideration paid to acquire the investment in the subsidiary, not the consideration received from the subsidiary for the acquisition of the net assets comprising the business. The consideration paid is therefore deemed the carrying value (equivalent to net book value) of the assets transferred as opposed to the fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.27 Accounting estimates, assumptions and judgements (continued)
Membership rewards provision

The choice of methodology used to estimate the Membership Rewards liability requires the application of judgement. A judgment has been made that the most appropriate way of reflecting expected unused points when customers leave, is to allocate these unused points linearly over the expected life. Alternative methodologies could be used, for example a first in first out approach, which would result in a different liability.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT

Governance
Risk management of the Company is overseen by its Directors who are responsible for managing the Company's affairs and for ensuring that the operations of the Company, including those of its branches, are carried out effectively and with due regard to the reputation of the Group and the requirements imposed upon it by law, regulation and relevant regulatory bodies.

To fulfil these responsibilities, the Company maintains a governance framework including the following committees, each reporting regularly to the Board:
• The Audit and Finance Committee; and
• The Operational Risk Committee

For further details on the committees and the responsibilities of the Directors, please refer to the Directors' and Strategic reports.

The Company primarily adopts the Group's Enterprise-wide Risk Management (ERM) program policies and strategies. The objective of the ERM is to identify, aggregate, monitor and manage risks in order to maintain and continuously improve risk management controls and processes that will enable profitable growth, while delivering outstanding customer service.

Capital risk management
The Company manages its capital within the guidelines set by the Board of Directors and Audit & Finance Committee.

As an authorised payment institution, the Company is required to maintain capital levels which exceed a prescribed level of minimum capital, as required by the Payment Services Regulations 2009. The Company has an FCA minimum capital requirement for the year of £11.2m which is considerably lower than the capital levels it maintains. Capital monitoring processes are in place to ensure the Company exceeds the minimum capital requirements at all times. The Company is also required to undertake daily safeguarding of relevant funds.

The Company's capital is managed to ensure adherence to its minimum capital requirement as a payment institution in addition to ensuring that it will be able to support the business' objectives and continue as a going concern. In order to support these objectives, the capital structure of the Company is monitored on a monthly basis. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 23, cash at bank and in hand disclosed in Note 20 and amounts attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity and Note 27.

The comparatives in the following quantitative disclosures are exclusive of the assets and liabilities held for sale. The prior year assets and liabilities held for sale were subsequently realised at book value on 1st March 2019 through the business transfer and are therefore not presented in this note or the subsequent notes unless specified.

(a) Market risk
Market risk is the risk to earnings or asset and liabilities values resulting from movements in market prices. The Company's market risk exposure includes:

- Interest rate risk driven by changes in the relationship between the interest rates on the Company's assets such as loans and receivables and the interest rates on the Company's liabilities such as debt and deposits; and
- Foreign exchange risk arising from earnings, funding, transactions and investments in currencies other than the functional currency in its operations outside the United Kingdom.

The Company adopts the Market Risk Policy within the ERM program, which establishes processes and criteria to minimise earnings volatility while supporting sustainable profit growth in relation to interest rate risk management.

(i) Interest rate risk management
The Company's interest rate exposure can vary over time as a result of, among other things, the proportion of total funding provided by variable and fixed-rate debt and deposits compared to Cardmember loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market Risk (continued)

(i) Interest rate risk management (continued)

Residual interest rate exposure within the Company's charge card and lending products along with the exposure from 'Loans due to/from Group undertakings' is managed at a Group level by varying the proportion of total funding provided by variable-rate debt and deposits compared to fixed-rate debt and deposits. The Group may change the mix between variable-rate and fixed-rate funding based on changes in business volumes and mix, among other factors.

For the purposes of interest rate risk management, the Group (including the Company) does not enter into any contract that gives rise to the recognition of derivative financial instruments for trading purposes.

The table below summarises the re-pricing profiles of the Company's financial instruments and other assets and liabilities at their carrying value on 31 December 2019. Items are allocated to time periods by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

2019	0 – 3 months £000	3 – 12 months £000	1-5 years £000	Over 5 year £000	Non-interest bearing £000	Total £000
ASSETS						
Cash at bank and in hand	397,772	-	-	-	-	397,772
Debtors:						
- Cardmember receivables	-	-	-	-	130,580	130,580
- Receivables from Group undertakings	-	-	-	-	282,914	282,914
- Other debtors	-	-	-	-	5,063	5,063
Derivative financial instruments	-	-	-	-	53,215	53,215
Investment securities	-	-	-	-	37	37
Loans:						
- Cardmember lending	39,591	-	-	-	-	39,591
- Loans due from Group undertakings	31,621	-	1,225,467	-	-	1,257,088
- Loans due from related parties	139	-	-	-	-	139
Total Financial Assets	**469,123**	**-**	**1,225,467**	**-**	**471,809**	**2,166,399**
Non-Financial Assets	**-**	**-**	**-**	**-**	**523,383**	**523,383**
TOTAL ASSETS	**469,123**	**-**	**1,225,467**	**-**	**995,192**	**2,689,782**
LIABILITIES						
Trade and other creditors	2,991	9,421	18,038	13,700	204,893	249,043
Accruals	-	-	-	-	264,911	264,911
Derivative financial instruments	-	-	-	-	22,921	22,921
Borrowings:						
- Loans due to Group undertakings	31,567	201,669	523,641	-	-	756,877
- Bank borrowings	88,540	-	-	-	-	88,540
Total Financial Liabilities	**123,098**	**211,090**	**541,679**	**13,700**	**492,725**	**1,382,292**
Non-Financial Liabilities	**-**	**-**	**-**	**-**	**260,890**	**260,890**
TOTAL LIABILITIES	**123,098**	**211,090**	**541,679**	**13,700**	**753,615**	**1,643,182**
Net interest rate gap	**346,025**	**(211,090)**	**683,788**	**(13,700)**	**241,577**	**1,046,600**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(i) Interest rate risk management **(continued)**

2018	0 – 3 months £000	3 – 12 months £000	1-5 years £000	Over 5 year £000	Non-interest bearing £000	Total £000
ASSETS						
Cash at bank and in hand	360,734	-	-	-	-	360,734
Debtors:						
- Cardmember receivables	-	-	-	-	1,349,544	1,349,544
- Receivables from Group undertakings	-	-	-	-	1,120	1,120
- Other debtors	-	-	-	-	6,821	6,821
Derivative financial instruments	-	-	-	-	6,506	6,506
Loans:						
- Cardmember lending	1,834,953	-	-	-	-	1,834,953
- Loans due from Group undertakings	28,846	304,625	-	-	-	333,471
- Loans due from related parties	134	-	-	-	-	134
Total Financial Assets	2,224,667	304,625	-	-	1,363,991	3,893,283
Non-Financial Assets	-	-	-	-	380,804	380,804
TOTAL ASSETS	2,224,667	304,625	-	-	1,744,795	4,274,087
LIABILITIES						
Trade and other creditors	1,269	1,577	4,180	7,569	2,982,223	2,996,818
Accruals	-	-	-	-	270,026	270,026
Derivative financial instruments	-	-	-	-	10,442	10,442
Borrowings:						
- Loans due to Group undertakings	339,718	371,880	69,440	-	-	781,038
- Bank borrowings	71,655	-	-	-	-	71,655
Total Financial Liabilities	**412,642**	**373,457**	**73,620**	**7,569**	**3,262,691**	**4,129,979**
Non-Financial Liabilities	-	-	-	-	**229,101**	**229,101**
TOTAL LIABILITIES	**412,642**	**373,457**	**73,620**	**7,569**	**3,491,792**	**4,359,080**
Net interest rate gap	**1,812,025**	**(68,832)**	**(73,620)**	**(7,569)**	**(1,746,997)**	**(84,993)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)
(ii) Interest rate sensitivity
The sensitivity analysis is a measure of the potential change in net interest income over the prior financial year and held constant throughout the reporting period. A 100 basis point change is used when reporting interest rate risk to key management personnel and represents Management's assessment of the possible change in interest rates and the potential impact to earnings. This effect is calculated by applying a 100 basis point shift up or down on base interest rates across every currency interest rate.

As at 31st December 2019, if base interest rates had been 100 basis points higher or lower across each currency:

	2019		2018	
	Shift Up	**Shift Down**	Shift Up	Shift Down
	£000	**£000**	£000	£000
Impact on profit before taxes	**(30,066)**	**20,642**	(37,980)	10,436

The above impact is broadly representative of the equivalent movements in equity.

(iii) Foreign currency risk management
Foreign exchange risk is generated by Cardmember cross currency spend, foreign currency Balance Sheet exposures, translation exposure of foreign operations, and foreign currency earnings.

The Company's foreign exchange risk is managed primarily by entering into foreign exchange spot transactions or hedged using foreign exchange forward contracts. These contracts are only entered into when the hedge costs are economically justified and are in notional amounts designed to offset pre-tax impacts from currency movements in the period in which they occur.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(iii) Foreign currency risk management (continued)

The table below shows the net foreign exchange positions of the Company by major non-sterling currencies as at the Balance Sheet date.

	US Dollars £000	Euro £000	Other £000	Total £000
2019				
FINANCIAL ASSETS				
Cash at bank and in hand	141,907	10,330	5,596	**157,833**
Debtors:				
- Cardmember receivables	160	35,495	-	**35,655**
- Receivables from Group undertakings	7,299	3,220	52	**10,571**
- Other debtors	773	1,180	304	**2,257**
Investment securities	-	37	-	**37**
Loans:				
- Loans due from Group undertakings	275,492	977,358	4,238	**1,257,088**
- Loans to related parties	-	6	-	**6**
TOTAL FINANCIAL ASSETS	**425,631**	**1,027,626**	**10,190**	**1,463,447**
FINANCIAL LIABILITIES				
Trade and other creditors	13,355	23,046	3,802	**40,203**
Accruals	69,403	34,942	369	**104,714**
Borrowings:				
- Loans due to Group undertakings	340,540	3,080	2,409	**346,029**
TOTAL FINANCIAL LIABILITIES	**423,298**	**61,068**	**6,580**	**490,946**
Total	**2,333**	**966,558**	**3,610**	**972,501**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)
***(iii) Foreign currency risk management* (continued)**

	US Dollars	Euro	Swedish Krone	Other	Total
	£000	£000	£000	£000	£000
2018					
FINANCIAL ASSETS					
Cash at bank and in hand	107,367	6,118	20	2,782	**116,287**
Debtors:					
- Cardmember receivables	117,624	41,571	-	-	**159,195**
- Other debtors	975	3,330	385	8	**4,698**
Loans:					
- Loans due from Group undertakings	306,489	17,183	11,050	541	**335,263**
- Loans to related parties	-	16		-	**16**
TOTAL FINANCIAL ASSETS	**532,455**	**68,218**	**11,455**	**3,331**	**615,459**
FINANCIAL LIABILITIES					
Trade and other creditors	965,074	335,103	127,081	158,178	**1,585,436**
Accruals	77,128	39,387	99	-	**116,614**
Borrowings:					
- Loans due to Group undertakings	371,880	65,294	-	1,211	**438,385**
- Bank borrowings	-	26	-	-	**26**
TOTAL FINANCIAL LIABILITIES	**1,414,082**	**439,810**	**127,810**	**159,389**	**2,140,461**
Total	**(881,627)**	**(371,592)**	**(115,725)**	**(156,058)**	**(1,525,002)**

Note 4(a)(iv) foreign currency sensitivity discloses the Company's foreign currency exposure in relation to foreign currency positions.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market Risk (continued)

(iv) Foreign currency sensitivity

All transactional foreign exchange gains or losses are borne by a related Group entity.

Both before and after the Business Transfer, the Company's branches, with the exception of its Italian Branch, remit their profits (if any) to their UK parent on a monthly basis. As a result only the Italian branch will have net assets subject to foreign currency sensitivity impacting other equity when translated into the functional currency of the Company.

The Company continues to enter into derivative forward foreign exchange contracts designated as net investment hedges to manage the Company's exposure to foreign exchange translation of its net assets in its Italian branch (following the business transfer, the Italian branch remains active and services AEI). As a result, there is limited foreign exchange exposure to the Company recorded in other comprehensive income. Residual reported translation gain movements represents the under hedged position in relation to the Company's Italian branch, where flexing for any significant change in foreign exchange rate will have in an immaterial impact to the Company's overall hedging position. Any translation gain movements caused by changes in foreign exchange rates impacting the Company's under hedged position are considered to be of limited risk.

(b) Credit risk management

Credit risk is defined as loss due to obligor or counterparty default or changes in the credit quality of a security. Credit risks in the Company are divided into two broad categories: Individual and Institutional. Each category has distinct risk management capabilities, strategies and tools. Business units that create individual or institutional credit risk exposures of significant importance are supported by dedicated risk management teams, each led by a Chief Credit Officer.

(i) Individual credit risk

Individual credit risk arises from consumer and small business Cardmember loans and receivables, and term loans. These portfolios consist of millions of customers across multiple industries and levels of net worth. The Company benefits from the high quality credit profile of its customers, which is driven by brand, premium customer servicing, product features and risk management capabilities which span underwriting, customer management and collections. Externally, the risk in these portfolios is generally correlated with broad economic trends, such as unemployment rates and GDP growth, A customer's ability and willingness to repay the Company can be negatively impacted not only by economic, market, political and social conditions but also by a customer's other payment obligations, and increasing leverage can result in a higher risk that customers will default or become delinquent in their obligations to the Company.

The Company adheres to the American Express Individual Credit Risk Management Policy, which assigns key governance responsibilities, prescribes rules for escalating risks and sets forth the Company's guidelines for measuring, assessing, and reporting Individual Credit Risk.

Business unit leaders and Chief Credit Officers take the lead in managing the credit risk process. These Chief Credit Officers are guided by the Individual Credit Risk Committee ("ICRC") at a Group level, which is responsible for implementation and enforcement of the Individual Credit Risk Management Policy. The ICRC ensures compliance with the Enterprise-wide Risk Management Committee ("ERMC") guidelines and procedures and escalates to the ERMC as appropriate. The Individual Credit Risk Management Policy is further supported by subordinate policies and operating manuals covering decision logic and processes of credit extension, including prospecting, new account approvals, point-of-sale authorisations, credit line management and collections. The subordinate risk policies and operating manuals are designed to ensure consistent application of risk management principles and standardised reporting of asset quality and loss recognition.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk management (continued)

***(i) Individual credit risk* (continued)**

Credit risk management is supported by sophisticated proprietary scoring and decision-making models that use the up-to-date proprietary information on prospects and customers, such as spending, and payment history and data feeds from credit bureaus. The Company has developed data-driven economic decision logic for customer interactions to better serve its customers. The majority of the Company's overall exposure to individual credit risk is mitigated by the sale of Cardmember loans and receivables to a related party.

(ii) Institutional credit risk

Institutional credit risk represents the risk of loss to the Company due to the non-payment of an amount contractually owed to the Company by a business or organisation.

In addition to the individual credit risk, financial difficulties associated with the corporates engaged can also indirectly contribute to the credit risk attached to the corporate charge cards and foreign currency payment solutions.

Unlike individual credit risk, institutional credit risk is characterised by a lower loss frequency but higher severity. It is affected both by general economic conditions and by client-specific events. The absence of large losses in any given year or over several years is not necessarily representative of the level of risk of institutional portfolios, given the infrequency of loss events in such portfolios.

The Company adheres to the American Express Institutional Credit Risk Policy which details its approach to managing institutional credit risk and assigns key governance responsibilities, prescribes rules for escalating risks, and sets forth American Express guidelines for measuring, assessing, and reporting institutional credit risk.

Similar to individual credit risk, business units taking institutional credit risks are supported by embedded enterprise wide Chief Credit Officers. These officers are responsible for the implementation and enforcement of the Institutional Credit Risk Management Policy and for providing guidance to each business unit with substantial institutional credit risk exposures.

The Chief Credit Officers formally review large institutional exposures to ensure compliance with ERMC guidelines and procedures and escalates them to the Board as appropriate. A centralised risk rating unit and a specialised airline risk group provide independent risk assessment of institutional obligors.

In relation to these mid to long term financing arrangements a letter has been secured from both American Express International Inc. and American Express Travel Related Services Company, Inc. for the purposes of supporting the Company's liquidity position and maintaining its safe and sound operations for the next year. The level of credit risk attached to intercompany positions is therefore limited.

(iii) Significant credit concentration and Credit Quality

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Company's total credit exposure. The Company's customers operate in diverse industries, economic sectors and geographic regions. The maximum exposure to credit risk for debtors, derivative financial instruments and related party loans equals their carrying amount.

The maximum exposure to credit risk for Cardmember loans equals the full amount of the committed facilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk management *(continued)*

(iii) Significant credit concentration and Credit Quality (continued)

The following table represents the Company's maximum credit exposure (therefore excluding debtor categories that have no credit risk) by type of customer or counterparty, including the credit exposure associated with derivative financial instruments, at 31 December:

	2019	2018
	£000	£000
Cash and deposits with regulated financial institutions	397,772	360,734
Cardmember receivables	130,580	1,349,544
Cardmember loans	39,591	1,834,953
All other financial assets	1,598,456	348,052

Cardmember loans and receivables disclosed above include the Cardmember loans and receivables carried at fair value amounting to £40m (2018: £1,835m) and £95m (2018: £1,311m) respectively. The reduction in these balances is due to an operational change to the sale of these assets to a related party, resulting in the transition from a post-month end sale to a month end sale.

As disclosed in the table above, at 31 December 2019 the Company's most significant concentration of credit risk was with institutions included within other financial assets which mainly comprise of loans and amounts due from other Group Companies. Cardmember loans and receivables 'Individual' amounts are generally advanced on an unsecured basis However, the Company reviews each potential customer's credit application and evaluates the applicant's financial history and ability and willingness to repay. The Company also considers credit performance by customer tenure, industry, and geographic location in managing credit exposure. Information on credit quality is given in the relevant notes to the financial statements including Note 18.

The Company is not exposed to any significant credit risk on investment securities and other financial assets which mainly comprise of loans and amounts due from other Group companies.

(c) Expected Credit Loss (ECL) measurement

The Company determines the "stage" of the major financial assets based on the criteria below, and measures the expected credit losses on its financial instruments with inputs discussed in the following sections.

There is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

(i) Significant increase in Credit Risk

The criteria for determining whether a financial instrument has experienced a significant increase in credit risk since initial recognition varies by financial asset, and includes both qualitative and quantitative factors. The majority of the Company's overall exposure to credit risk is mitigated by the sale of Cardmember loans and receivables to a related party.

Cardmember receivables

The Company considers that credit risk has increased significantly when the account is more than 30 days past due.

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Expected Credit Loss (ECL) measurement (continued)
(i) Significant increase in Credit Risk (continued)
Cardmember loans
The Company defines the criteria for significant credit risk increase separately for the "transition" (accounts originated before 1st January 2018) and "post-transition" (accounts originated after 1st January 2018) population, based on the availability of risk scores with forward-looking information before and after transition.

A "post-transition" account is assigned to Stage 2 if the 39 month comprehensive capital analysis and review probability of default in the reporting month has increased more than a threshold amount compared to the 39 month comprehensive capital analysis and review probability of default assessed at origination. The probability of default increase threshold is generated by the mean plus one standard deviation of the absolute change in probability of default for each risk group (segmented by market, product and account tenure).

A "transition" account is assigned to Stage 2 using a simplified Maximum Initial Credit Risk approach given limitations on the historic information available. No material impact arises from this simplification.

(ii)Definition of default
Cardmember receivables and Cardmember loans
The Company considers an account to be in default when it is more than 90 days past due, or in the event of credit cancellation due to credit reasons.

(iii)Measurement of Expected Credit Losses
Cardmember loans and receivables
Under the IFRS 9 expected credit loss model, the Company incorporates past events, current conditions, and future economic conditions. The process of estimating 12-month and lifetime credit reserves involves account level risk-based inputs, which includes the following key variables: probability of default, exposure at default, and loss given default:

- Probability of default models are used to estimate an account's conditional probability of default and its unconditional probability of default. Conditional probability of default is the likelihood an account will write-off, attrite or neither in each month of the forecast. Unconditional probability of default is the cumulative likelihood an account will write-off within certain forecast period.
- Exposure at default models are used to estimate an account's balance before defaulting.
- Loss given default is the final output of the expected credit loss model for all accounts in the portfolio. Loss given default is the final component needed to project net write offs. It equals to the projected gross write offs minus expected recoveries. Recoveries are the amounts received from Cardmembers after default occurs, typically as a result of collection efforts. The amount of recoveries available to be recouped is a function of the size of the past gross write-off. Estimating recoveries incorporates macroeconomic conditions and an account's time since write-off.

There has been no significant change made to the estimation techniques and significant assumptions made during the reporting period

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Expected Credit Loss (ECL) measurement (continued)
(iv) Forward-looking information
Cardmember loans and receivables
The Company has defined the "reasonable and supportable" forward-looking period to be 39 months, and explicitly considers macro-economic forward-looking information. All other forward-looking information will be implicitly modelled or addressed via a qualitative reserve.

The Company considers three possible economic scenarios when incorporating forward looking information into the estimation of expected credit losses. Each economic scenario is weighted based on probabilities obtained from external rating agencies. The multiple macroeconomic variables will be used for two purposes: 1) to determine the stages of assets based on the weighted average probability of default prior to expected credit loss measurement; 2) to derive the weighted average probability of default, exposure at default and loss given default scores as the key inputs for the expected credit loss measurement.

(d) Funding & Liquidity risk management
Liquidity risk is defined as the inability of the Company to meet its ongoing financial and business obligations as they become due at a reasonable cost.

The Company primarily adopts the enterprise-wide Liquidity Risk Policy, which aims to ensure diversified funding during business as usual periods by source, maturity and instrument and that the Group can continuously meet all of its liquidity needs throughout scenarios in which they cannot access the capital or money markets for up to 12 months.

The Group manages liquidity risk by maintaining access to a diverse set of cash, readily-marketable securities and contingent sources of liquidity, such that each American Express operating company can continuously meet its business requirements and expected future financing obligations for at least a twelve-month period, even in the event it is unable to raise new funds under its regular funding programs. The Group balances the trade-offs between maintaining too much liquidity, which can be costly and limit financial flexibility, and having inadequate liquidity, which may result in financial distress during a liquidity event.

The Audit & Finance Committee and the Board are informed of any changes in Group funding policy or practices that would materially affect the Company and its ability to continuously fund its business requirements. This includes an annual overview of the Company's access to existing internal lines of credit from Group entities.

While the Company is perceived to carry little in the way of funding and liquidity risk, management have secured a letter from American Express International Inc. and American Express Travel Related Services Company, Inc. for the purposes of supporting its liquidity position and maintaining the Company's safe and sound operations for the next year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Funding & Liquidity risk management ***(continued)***

Liquidity Risk
The following table details the Company's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities.

2019	On Demand £000	Up to 1 month £000	1 to 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
LIABILITIES							
Trade and other payables (Note 21 & 22)	-	98,228	109,656	9,421	18,038	13,700	**249,043**
Accruals	-	264,911	-	-	-	-	**264,911**
Derivative financial instruments	-	22,921	-	-	-	-	**22,921**
Borrowings:							
- Loans due to Group undertakings	31,567	-	-	201,669	523,641	-	**756,877**
- Bank borrowings	88,540	-	-	-	-	-	**88,540**
Total Financial Liabilities	**120,107**	**386,060**	**109,656**	**211,090**	**541,679**	**13,700**	**1,382,292**
Non-Financial Liabilities							**260,890**
TOTAL LIABILITIES	**120,107**	**386,060**	**109,656**	**211,090**	**541,679**	**13,700**	**1,643,182**

2018	On Demand £000	Up to 1 month £000	1 to 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
LIABILITIES							
Trade and other payables (Note 21 & 22)	-	2,916,173	67,319	1,577	4,180	7,569	2,996,818
Accruals	-	270,026	-	-	-	-	270,026
Derivative financial instruments	-	10,442	-	-	-	-	10,442
Borrowings:							
- Loans due to Group undertakings	339,718	-	-	371,880	69,440	-	781,038
- Bank borrowings	71,655	-	-	-	-	-	71,655
Total Financial Liabilities	**411,373**	**3,196,641**	**67,319**	**373,457**	**73,620**	**7,569**	**4,129,979**
Non-Financial Liabilities							**229,101**
TOTAL LIABILITIES	**411,373**	**3,196,641**	**67,319**	**373,457**	**73,620**	**7,569**	**4,359,080**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

5. TURNOVER

Turnover comprises revenue derived from Cardmember spending, card fees including delinquency fees, other commissions and interest revenue on lending products of £1,118,429,000 (2018: £1,493,253,000) and revenue from services to other Group companies of £454,590,000 (2018: £418,829,000). These amounts are net of a £40,502,000 (2018: £47,233,000) trademark royalty payable to another Group company.

6. SEGMENTAL REPORTING

Turnover by territory or region is as follows:

	Turnover	
	2019	2018
	£000	£000
UK & Ireland	**1,478,215**	1,339,026
Germany, Austria & Netherlands	**43,202**	250,339
Italy	**37,807**	242,382
Norway, Denmark, Finland & Sweden	**13,164**	75,567
Poland & Hungary	**631**	4,768
	1,573,019	1,912,082

Turnover disclosed above for various segments includes revenue generated from discontinued operations. The portion of the above turnover amounts that relate to discontinued operations is detailed below.

	2019	2018
	£000	£000
UK & Ireland turnover from discontinued operations	**5,324**	30,255
Turnover outside UK & Ireland from discontinued operations	**89,173**	503,320
Total turnover from discontinued operations	**94,497**	533,575

In 2019 revenue was generated from discontinued operations during January and February, ahead of the 1st March 2019 business transfer.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

7. PROFIT/(LOSS) BEFORE TAXATION

		2019	2018
		£000	£000
Profit/(loss) before taxation is stated after charging/(crediting):			
Fees payable to the Company's auditors for the audit of the Company's annual financial statements		**745**	673
Fees payable to the Company's auditors and its associates for other:			
	- Services pursuant to legislation	**8**	6
	- Others	**-**	15
(Gain)/Loss on derivative financial instruments		**(152)**	225
Amortisation of intangible assets		**273**	527
Depreciation of tangible assets		**13,127**	14,546
Depreciation of right of use assets		**8,329**	-
Loss on disposal of fixed assets		**223**	88
Net fair value loss on financial assets/liabilities mandatorily measured at fair value through profit or loss		**145,784***	113,199
Impairment of Cardmember receivables		**10,520****	36,901
Impairment of Cardmember loans		**7,958****	14,060
Operating lease rentals	- Land and buildings	**1,540*****	8,641
	- Others	**971*****	2,400
Exceptional items		**(96,000)¥**	-

Administrative expenses include staff costs, Cardmember reward and benefit expense, fair value loss/(gain) on financial assets classified as FVTPL, impairment of Cardmember loans and receivables, marketing and other administrative expenses.

Expenses disclosed in the table above include expenses incurred in respect to discontinuing operations.

*Includes a £48m expense increase in the fair value loss for Cardmember loans and receivables (see Note 16).

**Expense primarily consists of fraud loss for continuing operations. The majority of any ECL expense relates to discontinued operations.

***Residual balance due to low value and short term lease costs.

¥Due to UK indirect tax assessment favorable verdict (see Note 30).

8. STAFF COSTS

	2019 £000	2018 £000
Wages and salaries	**264,142**	292,486
Other employee benefits	**12,058**	15,436
Social security costs	**34,819**	47,707
Other pension costs	**42,568**	41,670
Stock Compensation expense	**12,037**	18,752
	365,624	416,051

Included within staff costs is an amount of £6.9m (2018: £11.2m) related to restructuring expenses. Total staff costs from continuing operations were £342.8m (2018: £311.0m)

The monthly average number of staff employed by the Company during the year was as follows:

	2019 Number	2018 Number
Sales and marketing	**1,001**	1,451
Customer servicing	**1,841**	2,354
Technologies development and support	**686**	596
Other support groups	**857**	828
	4,385	5,229

The reduction in staff was primarily driven by individuals transferred to AEESA and its branches, from the AESEL branches as part of the business transfer.

(a) Stock Options

Each stock option has an exercise price equal to the market price of the American Express Company's common stock on the date of grant and a contractual term of 10 years from the date of grant. Stock options generally vest 100 percent on the third anniversary of the grant date.

122,500 stock options were outstanding at 31 December 2019 (2018: 176,513). As of 31 December 2019, the total outstanding stock options are expected to vest over a weighted average period of 6.21 years (2018: 7.17 years). 51,013 stock options were exercised during 2019 (2018: 44,353) at a weighted average exercise price of USD 64.32 (2018: USD 48.33).

The following information applies to options outstanding at the end of each year:

	31 December 2019			**31 December 2018**		
Range of exercise prices	Weighted average exercise price	Number of options	Weighted average remaining contractual life / Years	Weighted average exercise price	Number of options	Weighted average remaining contractual life / Years
$31.01-40.00	-	-	-	$34.84	1,653	0.83
$40.01-65.43	$64.97	122,500	6.21	$65.07	174,860	7.23

8. STAFF COSTS

(b) Restricted Stock Awards ("RSA") and units ("RSU")

An RSA/RSU grant is a grant of American Express Company's common stock, valued based on the stock price on the date of grant, which contains either (a) service conditions or (b) both service and performance conditions. Once vested, the employees receive common shares of American Express Company.

RSAs/RSUs containing only service conditions generally vest 25 percent per year beginning with the first anniversary of the grant date. RSAs containing both service and performance conditions generally vest on the third anniversary of the grant date, and the number of shares depends on the achievement of predetermined metrics. Effective in 2019, the Company added a Relative Total Shareholder Return (R-TSR) modifier (market condition) to the performance-based RSAs/RSUs, under which the number of shares ultimately granted is also impacted by the Company's actual shareholder return relative to a competitive peer group.

The fair value of RSAs/RSUs that do not include the R-TSR modifier is determined using the Company's stock price on the date of grant and the performance-based RSAs/RSUs that include the R-TSR modifier is determined using a Monte Carlo valuation model. All RSA/RSU holders receive non-forfeitable dividends or dividend equivalents. As of 31 December 2019, the total outstanding RSAs are expected to vest over a weighted average period of 1.09 years (2018: 0.98 years).

As at 31st December 2019 out of the 426,415 (2018: 520,083) RSAs/RSUs outstanding Nil (2018: Nil) were exercisable. During 2019, 205,477 (2018: £189,134) RSAs were exercised with a weighted average grant price of USD 64.28 each (2018: USD 76.97).

(c) Portfolio Grants ("PG")

Portfolio Grants are long-term cash incentives designed to earn value based on overall business and Group performance metrics. American Express Company awards certain employees portfolio grants and other incentive awards that are generally settled by cash. These awards earn value based on the American Express Company's financial performance, market and service conditions, and vest over periods from one to three years.

In 2019, American Express Company issued no Portfolio Grants (2018:1,765,000) to the Company's employees. The Company has recorded an expense of £0.24m (2018: £2.0m) and the grants outstanding at the year-end were 2,460,000 (2018: 3,935,000). The face value of a grant is equal to one US dollar.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

9. DIRECTORS' REMUNERATION

	2019 £000	2018 £000
Emoluments	**1,341**	2,002
Amounts receivable under long term incentive schemes	**589**	582
Pension costs	**47**	39
	1,977	2,623

The number of Directors to whom retirement benefits were accruing in respect of qualifying services during the year ended 31 December 2019 were as follows:

	2019 No.	2018 No.
Money purchase schemes	**9**	5
Defined benefit schemes	**-**	-

During the year ten (2018: eight) Directors exercised share options in American Express Company, the ultimate parent company, and/or received common stock in American Express Company as a result of Restricted Stock Awards ("RSAs") vesting in the year.

The following remuneration was earned by the highest paid Director:

	2019 £000	2018 £000
Emoluments including receivable under long term incentive scheme	**761**	645
Pension Costs	**17**	-
	778	645

In addition, the highest paid Director also exercised share options in American Express Company, the ultimate parent company, and/or received common stock in American Express Company as a result of RSAs vesting in the year.

One Director who served during the year was employed by and received their remuneration from another Group company; services provided by employees of one Group company to another fall under the enterprise-wide Transfer Pricing Policy and are recharged appropriately.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£000	£000
Interest earned from Group undertakings	12,077	2,788
Other interest receivable	5,322	1,211
	17,399	3,999

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£000	£000
Interest payable to Group undertakings	15,690	28,491
Other interest payable	1,355	698
	17,045	29,189

12. TAX ON PROFIT

The main rate of UK corporation tax is 20% from 1 April 2015 to 31 March 2017. Legislation has been introduced to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020.

	2019	2018
	£000	£000
Profit before taxation	232,331	157,562
Tax charge on profit at effective rate 19% (2018: 19%)	44,143	29,937
Adjusted for the effects of:		
Non-deductible expenses	4,660	1,137
Effect of different tax rates in other countries	(236)	5,632
Adjustment in respect of current income tax of prior years	3,309	892
Other	165	5
Unrelieved foreign tax not previously recognised	526	(1,993)
Net deferred tax asset not previously recognised	(11,014)	6,855
Write off of DTAs following business transfer transaction	2,331	-
Share based payments net tax deduction	(628)	-
Total tax charge on profit	43,256	42,465

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

12. TAX ON PROFIT

	2019 £000	2018 £000
Current income tax		
UK tax		
Current income tax	**45,195**	38,847
Adjustment in respect of current income tax of prior years	**(1,280)**	(356)
Less: relief for overseas tax	**(1,574)**	(4,892)
	42,341	33,599
Overseas tax		
Current income tax	**2,099**	2,900
Adjustment in respect of current income tax of prior years	**3,137**	1,348
Total current tax	**47,577**	37,847
Deferred tax		
Origination and reversal of temporary differences	**(5,536)**	(913)
Prior year adjustment	**145**	(101)
Impact of change in tax rate	**(577)**	1,693
	(5,968)	679
Overseas tax		
Origination and reversal of temporary differences	**340**	3,939
Prior year adjustment	**1,307**	-
Total deferred tax	**(4,321)**	4,618
Income tax expense	**43,256**	42,465

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

12. TAX ON PROFIT (Continued)

Taxation on items not (credited) / charged to the Income Statement	**2019 £000**	2018 £000
Current tax (credit)		
Tax deduction on share options / awards in excess of expense recognised	**(1,449)**	(961)
Adjustment for prior years	**(1,023)**	-
Deferred tax (credit) / charge		
Tax deduction on share options / awards in excess of expense recognised	**(898)**	718
Impact of change in tax rate	**89**	50
Deferred tax asset written off	**48**	-
Total	**(3,233)**	(193)

Factors affecting the tax charge for the year:

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under International Financial Reporting Standards. The impact on the Balance Sheet of the tax rate remaining at 19% would be £10m.

Following the business transfer, there is an expectation that the benefit of the unwind of some branch deferred tax assets will not be realised in the Company. On this basis deferred tax assets existing in these foreign branches that are expected to subsequently unwind are not recognised.

The Company has an unrecognised deferred tax asset of £44m (2018: £47.7m) relating to temporary differences in its overseas branches.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

12. TAX ON PROFIT (Continued)

Deferred tax
UK
The following are the major deferred tax assets recognised by the Company and movements thereon:

	Fixed Assets	Share based payments	Other temporary differences	Offset to overseas deferred tax	Total
	£000	£000	£000	£000	£000
As at 1 January 2019	22,707	5,577	7,189	(15,347)	20,126
(Debit) / Credit to Income Statement	(3,139)	633	(2,972)	11,014	5,536
Debit to Equity	-	850	-	-	850
Prior year adjustments	(24)	-	(121)	-	(145)
Tax rate change to Income Statement	331	(68)	314	-	577
Tax rate change to Equity	-	(89)	-	-	(89)
At 31 December 2019	**19,875**	**6,903**	**4,410**	**(4,333)**	**26,855**

	Fixed Assets	Share based payments	Other temporary differences	Offset to overseas deferred tax	Total
	£000	£000	£000	£000	£000
As at 1 January 2018	26,886	6,276	(7,979)	(8,492)	16,691
(Debit) / Credit to Income Statement	(2,277)	290	9,755	(6,855)	913
Debit to Equity	-	(718)	4,883	-	4,165
Prior year adjustments	(712)	-	813	-	101
Tax rate change to Income Statement	(1,190)	(221)	(283)	-	(1,694)
Tax rate change to Equity	-	(50)	-	-	(50)
As at 31 December 2018	22,707	5,577	7,189	(15,347)	20,126

Italy

	Branch temporary differences	Total
	£000	£000
As at 1 January 2019	70,946	70,946
Credit to Income Statement	(340)	(340)
Prior year adjustments	(1,307)	(1,307)
Revaluation of opening balance	(3,895)	(3,895)
Balance Sheet transfer	(4,829)	(4,829)
At 31 December 2019	**60,575**	**60,575**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

13. INTANGIBLE ASSETS

	Customer Relationship Assets £000
Cost:	
As at 1 January 2019	4,100
Additions	-
At 31 December 2019	**4,100**
Accumulated amortisation:	
As at 1 January 2019	1,025
Amortisation charged during the year	273
At 31 December 2019	**1,298**
Net book value:	
At 31 December 2019	**2,802**
At 31 December 2018	3,075

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

14. TANGIBLE ASSETS

	Leasehold improvements £000	Furniture and fittings £000	Plant and machinery £000	Assets in course of construction £000	Right of use of Assets £000	Total £000
Cost:						
At 1 January 2019	92,773	16,184	30,595	1,434	-	140,986
Adjustments on initial application of IFRS 16	-	-	-	-	28,988	28,988
Assets reinstated (previously classified as held for sale)	568	226	155	-	-	949
Exchange differences	(44)	(179)	(137)	-	-	(360)
Transfers (to)/from other Group companies	(545)	(205)	(109)	1,671	-	812
Additions	1,387	687	5,627	496	10,059	18,256
Disposals	(139)	(478)	(7,584)	-	(70)	(8,271)
At 31 December 2019	**94,000**	**16,235**	**28,547**	**3,601**	**38,977**	**181,360**
Accumulated depreciation:						
At 1 January 2019	50,391	11,974	22,709	-	-	85,074
Assets reinstated (previously classified as held for sale)	418	200	96	-	-	714
Exchange differences	(32)	(108)	(100)	-	-	(240)
Transfers to other Group companies	(122)	(4)	(39)	-	-	(165)
Provided during the year	6,770	1,469	4,888	-	8,329	21,456
Disposals	(139)	(482)	(7,357)	-	(70)	(8,048)
At 31 December 2019	**57,286**	**13,049**	**20,197**	**-**	**8,259**	**98,791**
Net book value:						
At 31 December 2019	**36,714**	**3,186**	**8,350**	**3,601**	**30,718**	**82,569**
At 31 December 2018	42,382	4,210	7,886	1,434	-	55,912

Included within Leasehold improvements in 2019 is a building where the Company is a lessee under a finance lease. The associated cost and accumulated depreciation as at the end of 31 December 2019 is detailed below.

	2019 £000	2018 £000
Cost – capitalised finance leases	41,861	41,861
Accumulated depreciation	14,466	11,190
Net amount	**27,395**	30,671

American Express Services Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

15. INVESTMENTS

Investments comprise of investment securities and wholly owned subsidiaries, American Express Italia s.r.l., American Express Europe S.A and American Express de Espana S.A

The listed investment securities are classified within Level 1 of the fair value hierarchy.

Investment securities

	2019	2018
	£000	£000
Investment securities – Listed	37	-
- Non-Current	37	-
Total	**37**	-

Movement in listed investment securities:

	2019	2018
	£000	£000
Fair value as at 1 January	-	770
Assets reinstated (previously classified as held for sale)	782	-
Exchange and other adjustments	(43)	13
Acquisitions and transfers	(704)	-
Gain/ (loss) from changes in fair value	2	(1)
Assets classified as held for sale	-	(782)
At 31 December	**37**	-

Listed investment securities previously deemed to be in scope for the business transfer were ultimately retained and therefore have been re-instated.

The fair value of all listed investment securities is based on their current bid prices in an active market.

Investment in Subsidiaries

	2019	2018
	£000	£000
At 1 January	54,718	115
Additions	84,400	54,603
At 31 December	**139,118**	54,718
Net book value	**139,118**	54,718

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

15. INVESTMENTS (Continued)

Undertaking	Number of shares held	Description of shares held	Principal activity	Office address
American Express Italia s.r.l.	100%	Ordinary	Trading Company	Viale Alexander Gustave Eiffel 15, 00148, Rome, Italy
American Express de Espana S.A.	100%	Ordinary	Holding Company	Avenida del Partenon, 12-14, Campo de las Naciones, Madrid, 28042
American Express Europe S.A.	54%	Ordinary	Trading Company	Avenida del Partenon, 12-14, Campo de las Naciones, Madrid, 28042

On 1st March 2019 the Company completed its business transfer in respect of those operations impacted by the regulatory risk posed by Brexit. American Express Europe S.A. (AEESA) issued 27,513 new ordinary shares at par value of €1,000 and premium of €4,974 as consideration for the transfer assets and liabilities associated with AESEL's passporting reliant issuing business (excluding Italy). American Express Italia s.r.l. (AEI) issued share capital for €40,351 as consideration for the transfer assets and liabilities associated with the Italian passporting - reliant issuing business. The transfers have been accounted for at book value under the Company's 'Business combinations, acquisitions & disposals' policy'. (Note 3.7) and are disclosed further in Note 32.

On 10th October 2019 the Company contributed an additional €43.3m (£38.7m) capital to AEESA in exchange for new ordinary shares.

On 17th October 2019 Bansamex S.A (a 100% subsidiary of AEESA) merged into AEESA.

American Express Services Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

16. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below excludes held for sale balances.

As at 31 December 2019	Amortised Cost £000	Financial Assets at fair value through Profit and Loss Account £000	Total £000
ASSETS			
Cash at bank and in hand	397,772	-	397,772
Debtors			
Cardmember receivables	35,547	95,033	130,580
Receivables from Group undertakings	282,914	-	282,914
Other debtors	5,063	-	5,063
Investments	-	37	37
Derivative financial instruments	-	53,215	53,215
Loans			
Cardmember loans	-	39,591	39,591
Loans due from Group undertakings	1,257,088	-	1,257,088
Loans to related parties	139	-	139
Total Financial Assets	**1,978,523**	**187,876**	**2,166,399**
Non-Financial Assets			**523,383**
Total Assets	**1,978,523**	**187,876**	**2,689,782**

As at 31 December 2019	Amortised Cost £'000	Financial liabilities measured through Profit and Loss Account £000	Total £000
LIABILITIES			
Trade and other payables			
Trade creditors	106,665	-	106,665
Amounts due to Group undertakings	1,848	-	1,848
Other creditors	95,913	44,617	140,530
Accruals	264,911	-	264,911
Borrowings			
Bank loans and overdrafts	88,540	-	88,540
Loans due to Group undertakings	756,877	-	756,877
Derivative financial instruments	-	22,921	22,921
Total Financial Liabilities	**1,314,754**	**67,538**	**1,382,292**
Non-Financial Liabilities			260,890
Total Liabilities	**1,314,754**	**67,538**	**1,643,182**
Equity			**1,046,600**
Total Liabilities and Equity	**1,314,754**	**67,538**	**2,689,782**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

16. CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 December 2018	Amortised Cost £000	Financial Assets at fair value through Profit and Loss Account £000	Total £000
ASSETS			
Cash at bank and in hand	360,734	-	360,734
Debtors			
Cardmember receivables	38,756	1,310,788	1,349,544
Receivables from Group undertakings	1,120	-	1,120
Other debtors	6,821	-	6,821
Derivative financial instruments	-	6,506	6,506
Loans			
Cardmember loans		1,834,953	1,834,953
Loans due from Group undertakings	333,471	-	333,471
Loans to related parties	134	-	134
Total Financial Assets	**741,036**	**3,152,247**	**3,893,283**
Non-Financial Assets	-	-	**380,804**
Total Assets	**741,036**	**3,152,247**	**4,274,087**

As at 31 December 2018	Amortised Cost £000	Financial liabilities at fair value through Profit and Loss Account £000	Total £000
LIABILITIES			
Trade and other payables			
Trade creditors	66,050	-	66,050
Amounts due to Group undertakings	2,815,711	-	2,815,711
Other creditors	83,379	31,678	115,057
Accruals	270,026	-	270,026
Borrowings			
Bank loans and overdrafts	71,655	-	71,655
Loans due to Group undertakings	781,038	-	781,038
Derivative financial instruments	-	10,442	10,442
Total Financial Liabilities	**4,087,859**	**42,120**	**4,129,979**
Non-Financial Liabilities	-	-	**229,101**
Total Liabilities	**4,087,859**	**42,120**	**4,359,080**
Equity	-	-	**854,610**
Total Liabilities and Equity	**4,087,859**	**42,120**	**5,213,690**

16. CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

The table below presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2019 and 2018, by valuation method. The different levels have been defined as follows:

- Level 1 – inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs that are unobservable and reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances (e.g. internally derived assumptions surrounding the timing and amount of expected cash flows).

	Level 1	Level 2	Level 3	Total
As at 31 December 2019	£000	£000	£000	£000
Assets				
Derivative financial assets				
- Forward foreign exchange contracts	-	53,215	-	53,215
Financial assets at fair value through profit or loss				
- Cardmember receivables	-	-	95,033	95,033
- Cardmember loans	-	-	39,591	39,591
- Investments	37	-	-	37
Total assets	**37**	**53,215**	**134,624**	**187,876**
Liabilities				
Derivative financial liabilities				
- Forward foreign exchange contracts	-	22,921	-	22,921
Fair value of undrawn commitments	-	-	44,617	44,617
Total liabilities	**-**	**22,921**	**44,617**	**67,538**
As at 31 December 2018				
Assets				
Derivative financial assets				
- Forward foreign exchange contracts	-	6,506	-	6,506
Financial assets at fair value through profit or loss				
- Cardmember receivables	-	-	1,310,788	1,310,788
- Cardmember loans	-	-	1,834,953	1,834,953
Total assets	**-**	**6,506**	**3,145,741**	**3,152,247**
Liabilities				
Derivative financial liabilities				
- Forward foreign exchange contracts	-	10,442	-	10,442
Fair value of undrawn commitments	-	-	31,678	31,678
Total liabilities	**-**	**10,442**	**31,678**	**42,120**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

16. CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

Derivative financial instruments
The fair value of the Company's derivative instruments is estimated using internal pricing models, where the inputs to those models are readily available from actively quoted markets. The pricing models are consistently applied and reflect the contractual terms of the derivatives. The Company reaffirms its understanding of the valuation techniques at least annually and validates the valuation output on a quarterly basis. The Company's derivative instruments are classified within Level 2 of the fair value hierarchy.

The fair value of foreign exchange forward contracts are determined based on a discounted cash flow method using the following significant inputs: the contractual terms of the forward contracts such as the notional amount, maturity dates and contract rate, as well as relevant foreign currency forward curves, and discount rates consistent with the underlying economic factors of the currency in which the cash flows are denominated.

Credit and debit valuation adjustments are necessary when the market parameters (for example, a benchmark curve) used to value the derivative instruments are not indicative of the credit quality of the Company or its counterparties. The Company considers the counterparty credit risk by applying an observable forecasted default rate to the current exposure.

Cardmember loans and receivables
In the prior year the fair value of Cardmember loans and receivables at the reporting date was determined using a discount charged for the subsequent sale of these assets to a related party. This discount was determined in an arm's length manner after taking into account compensation for the buyer's risk of loss and funding costs. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

In 2019, an operational change to the sale of these assets resulted in the transition from a post-month end sale to a month end sale. As a result, the majority of the remaining balance at the reporting date consists of unbilled Cardmember spend. The fair value of the remaining balance was determined using a discount charged for the subsequent sale of these assets to a related party.

For Cardmember loans and receivables, the Company performed a sensitivity analysis by adjusting the discount charged for the subsequent sale of these assets to a related party by 10 basis points. This adjustment is representative of a range that is consistent with observed past sales and management's assessment of forecast movements in the buyer's risk of loss and funding cost.

	Carrying amount as at 31 Dec 2019	Impact of sensitivity analysis (+/-)	Carrying amount as at 31 Dec 2018	Impact of sensitivity analysis (+/-)
	£000	£000	£000	£000
Financial assets				
Cardmember Receivables	**95,033**	**96**	1,310,801	1,337
Cardmember Loans	**39,591**	**40**	1,834,953	1,845

The average discount rate charged during the year was 0.39%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

16. CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

Cardmember loans and receivables (continued)
Below is an analysis of movement in Cardmember loans and receivables during the year:

	2019 £000	2018 £000
Fair value of Cardmember receivables and loans at 1st January	**3,145,741**	**3,213,128**
Foreign exchange impact on opening balances	(2,755)	4,282
Cardmember spend, interest and other charges during the year	38,205,448	32,912,436
Remittances received from Cardmembers during the year*	-	(13,471,916)
Proceeds received from the sale of Cardmember loans and receivables	(41,069,668)	(19,416,078)
Fair value adjustments	(144,142)	(96,111)
Fair value of Cardmember loans and receivables at 31st December	**134,624**	**3,145,741**

The above balances exclude Cardmember loans and receivables that were classified as held for sale during the previous year.

*During 2018 Cardmember loans were sold to a related party for the first time. Remittances were owed to and received by the Company before these monthly sales commenced but upon implementation all subsequent remittances were owed to the related party.

Fair value of undrawn commitments
This balance consists of the fair value of the undrawn commitment in relation to Cardmember loans classified as FVTPL (Note 3.17(c)). The fair value calculation leverages the unfunded commitment IFRS 9 expected credit loss calculation methodology, there was no material impact when sensitising key assumptions.

17. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include forward contracts for the purchase and sale of foreign currencies. These instruments allow the Company and its customers to transfer, modify or reduce their foreign exchange, interest rate and credit risks. The following outlines the nature and terms of the most common types of derivatives used:

(i) Forward foreign exchange contracts are agreements to exchange a specified amount of one currency for another on a future date at an agreed rate.

The derivative financial instruments shown in the following tables are either held for hedging or held for trading purposes in relation to the Company's Foreign Exchange International Payments ("FXIP") business. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values at the Balance Sheet date are analysed below. Changes in fair values of futures contracts which are exchange traded are subject to daily settlement and the margins relating to these futures contracts are included in balances with the counterparty.

At 31 December:	2019			2018		
	Notional Amount	**Assets**	**Liabilities**	Notional Amount	Assets	Liabilities
				(restated)	(restated)	(restated)
	£000	**£000**	**£000**	£000	£000	£000
Derivatives held for hedging						
Forward foreign exchange:						
Designated as net investment hedge	66,895	-	5,612	70,011	181	13
Other*	84,474	481	83	55,833	-	54
Total	**151,369**	**481**	**5,695**	**125,844**	**181**	**67**
Derivatives held for trading						
Forward foreign exchange	1,864,116	52,734	17,226	1,609,332	6,325	10,375
Total	**1,864,116**	**52,734**	**17,226**	**1,609,332**	**6,325**	**10,375**

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedge item is less than 12 months. The Company only holds derivatives which are short term in nature, maturing within 12 months. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Balance Sheet.

*Other derivatives held for hedging represent forward foreign exchange contracts entered into for the purposes of hedging the Company's subsidiary foreign currency exposure. For the Company's standalone reporting, these amounts have now been separately disclosed in both the current year with the comparative restated. Gains or losses associated with these derivatives have been recognised in the Income Statement.

Included within Other Comprehensive income is a loss of £4,369,000 for 2019 (2018: income of £284,000) in relation to the Company's effective portion of its derivatives designated as net investment hedges. No ineffective portion of the hedge was recorded for 2019 (2018: £Nil) in the Income Statement within administrative expenses.

Reported foreign exchange gains/(losses) from the Company's derivatives not designated in a hedge accounting relationship were £152,000 (2018: (£225,000)).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

18. DEBTORS : CURRENT	2019 £000	2018 £000
Cardmember loans	**39,591***	1,834,953
Cardmember receivables	**130,580***	1,349,544
Loans due from Group undertakings	**31,621**	333,471
Loans due from related parties	**139**	134
Receivables from Group undertakings	**282,914**	1,120
Other debtors	**153,571**	117,709
Deferred Cardmembers acquisition costs	**14,655**	10,163
Prepayments and accrued income	**17,206****	23,999
Derivative financial instruments	**53,215**	6,506
	723,492	3,677,599

* 2019 balance reductions primarily due to an operational change to the sale of these assets which resulted in the transition from a post-month end sale to a month end sale.

**During the year £8.4m was reclassed from prepayments to stock following a refinement to the classification of plastic card stock.

Reported within Cardmember loans, Cardmember receivables, Loans due from Group undertakings and Loans to related parties are the following amortised cost financial assets:

	2019 £000	2018 £000
Cardmember receivables	36,750	39,017
Provision for impairment of Cardmember receivables	(1,203)	(261)
	35,547	38,756
Loans due from Group undertakings & related parties	31,760	333,605
	31,760	333,605
Total	**67,307**	372,361

For Cardmember loans and receivables, the carrying amount is deemed to approximate fair value due to the short term nature of the balances.

18 DEBTORS (continued)

18.1 Analysis of provision for impairment on Cardmember receivables
The majority of the Company's Cardmember loans and receivables are sold to a related party on a monthly basis and are therefore classified as FVTPL. For the small proportion of the Company's Cardmember receivables that are not sold, the total provision for impairment on Cardmember receivables as at 31st December 2018 was £0.3m which has increased to £1.2m as at 31 December 2019. The table below details the associated staging and expected credit loss movements during 2019.

	2019							
	Cardmember Receivables							
	12 month Expected Credit Losses (Stage 1)		Lifetime Expected Credit Losses					
			Not Credit Impaired (Stage 2)		Credit Impaired (Stage 3)			
	Gross Carrying Value	Allowance	Gross Carrying Value	Allowance	Gross Carrying Value	Allowance	Total Gross Carrying Value	Total Allowance
Opening balance	38,658	103	290	106	69	52	39,017	261
Transfer to 12-month ECL	24	9	(24)	(9)	-	-	-	-
Transfer to lifetime ECL not credit impaired	(109)	(1)	109	1	-	-	-	-
Transfer to lifetime ECL credit impaired	(546)	(2)	-	-	546	2	-	-
Change due to stage assignment transfer	(17)	(9)	94	117	377	827	454	935
New financial assets originated	4,594	21	37	5	15	4	4,646	30
Write-offs	(10)	(10)	-	-	(1,098)	(1,098)	(1,108)	(1,108)
Change in Gross Carrying value / Net remeasurement of loss allowance	(4,787)	58	(251)	(93)	1,033	1,049	(4,005)	1,014
Other	(2,235)	78	(15)	(4)	(4)	(3)	(2,254)	71
Closing balance	**35,572**	**247**	**240**	**123**	**938**	**833**	**36,750**	**1,203**

18.2 Deferred Cardmembers Acquisition Cost

Deferred Cardmembers acquisition costs relate to incremental fees paid to third-parties and internal sales teams to obtain the Cardmember contracts, as well as certain set-up or fulfilment costs required to provide the card services, such as the cost of the plastic card. These costs are amortised on a straightline basis over the estimated Cardmember account life, as this reflects the period over which the Company will provide the related card services and benefit from the acquisition and fulfilment costs. In 2019, amortisation amounting to £19.2m (2018: £40.2m) was recognised within administrative expenses. There was no impairment loss in relation to the costs capitalised.

A reconciliation of deferred Cardmembers acquisition cost as follows:

	2019
	£000
At 1st January	26,744
Cost deferred during the year	23,957
Expense recognised during the year	(19,207)
At 31st December	**31,494**
Current	14,655
Non-current	16,839
	31,494

19. DEBTORS : NON CURRENT

	2019	2018
	£000	£000
Loans due from Group undertakings	**1,225,467***	-
Deferred tax asset (Note 12)	**87,430**	91,072
Deferred Cardmembers acquisition costs (Note 18.2)	**16,839**	16,581
Prepayments and accrued income	**5,799**	14,385
	1,335,535	122,038

*As part of the business transfer, the Company issued a loan of £780m to AEI (see Note 32). This arrangement is equivalent to an intra-entity loan to the Company's Italian branch which was in place before the business transfer.

20. CASH AT BANK AND IN HAND

	2019 £000	2018 £000
Cash at bank and in hand	**397,772**	360,734

Included within cash at bank is £68,577,509 (2018: £110,632,101) held on behalf of customers in a designated client funds account.

Certain Group companies in the UK, including the Company, participate in a Group banking arrangement with a third party bank ("the Bank"). Under the terms of this arrangement, the Company's cash deposits with the Bank are available to be offset against outstanding overdraft balances of other participating Group companies. The Company's exposure to this arrangement is limited to the non-safeguarded funds held with the Bank which, as at 31 December 2019, amounted to £Nil (2018: £Nil).

Safeguarded funds are held with other third party banks and so do not form part of the Group banking arrangement.

21. CREDITORS: amounts falling due within one year

	2019 £000	2018 £000
Bank loans and overdrafts (Note 23)	**88,540**	71,655
Trade creditors	**106,665**	66,050
Loans due to Group undertakings (Note 23)	**233,236**	711,598
Amounts due to Group undertakings	**1,848**	2,815,711
Derivative financial instruments (Note 17)	**22,921**	10,442
Other taxation and social security	**8,369**	8,254
Corporation tax	**26,219**	15,623
Lease Liability (Note 24)	**10,232**	581
Other creditors	**109,985**	110,324
Accruals	**264,911**	270,026
Deferred income (Note 26)	**72,539**	62,560
	945,465	4,142,824

The current portion of trade and other payables are carried at cost which approximates fair value due to the short term nature thereof.

Terms and conditions of the above financial instruments are:
(i) Trade creditors are non-interest bearing and are normally settled within 60 days.
(ii) Loans due to Group undertakings and falling due within one year are unsecured, repayable on demand and are subject to a variable rate of interest.

Reported within Creditors: amounts falling due within one year are bank loans and overdrafts, and Loans due to Group undertakings which are further disclosed in Borrowings (Note 23).

Amounts due to Group undertakings have reduced significantly in 2019 primarily due to the sale of Cardmember loans and receivables to a related party transitioning from a post month end sale to a month end sale.

Reported within Other creditors is £44.6m (2018: £31.7m) relating to undrawn commitments classified as FVTPL (Note 16).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

22. CREDITORS: amounts falling due after more than one year

	2019	2018
	£000	£000
Loans due to Group undertakings	523,641	69,440
Lease Liability (Note 24)	28,772	8,048
Other creditors	2,966	3,701
	555,379	81,189

23. BORROWINGS

	2019	2018
	£000	£000
Non-current		
Loans from Group undertakings	523,641	69,440
Current		
Bank overdrafts	88,540	71,655
Loans from:		
Group undertakings	233,236	711,598
Others	958	3,725
	846,375	856,418

24. LEASE LIABILITIES

Lease liabilities included in Creditors as at 31 December are as follows:

	2019	2018
	£000	£000
Current	10,232	581
Non-current	28,772	8,048
Total	39,004	8,629

The total cash outflow for leases in 2019 was £11m.

The following sets out a maturity analysis of the Company's lease liabilities under IFRS 16 with the present value, as of 31 December 2019:

	2019
	£000
No later than 1 year	11,038
Later than 1 year and no later than 5 years	18,838
Later than 5 years	12,841
Total	42,717
Future finance charges	(3,713)
Lease Liabilities	39,004

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

22. CREDITORS: amounts falling due after more than one year

	2019 £000	2018 £000
Loans due to Group undertakings	**523,641**	69,440
Lease Liability (Note 24)	**28,772**	8,048
Other creditors	**2,966**	3,701
	555,379	81,189

23. BORROWINGS

	2019 £000	2018 £000
Non-current		
Loans from Group undertakings	**523,641**	69,440
Current		
Bank overdrafts	**88,540**	71,655
Loans from:		
Group undertakings	**233,236**	711,598
Others	**958**	3,725
	846,375	856,418

24. LEASE LIABILITIES

Lease liabilities included in Creditors as at 31 December are as follows:

	2019 £000	2018 £000
Current	**10,232**	581
Non-current	**28,772**	8,048
Total	**39,004**	8,629

The total cash outflow for leases in 2019 was £11m.

The following sets out a maturity analysis of the Company's lease liabilities under IFRS 16 with the present value, as of 31 December 2019:

	2019 £000
No later than 1 year	11,038
Later than 1 year and no later than 5 years	18,838
Later than 5 years	12,841
Total	**42,717**
Future finance charges	(3,713)
Lease Liabilities	**39,004**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

24. LEASE LIABILITIES (continued)

The following sets out a maturity analysis of the Company's finances lease liabilities under IAS 17 with the present values, as of 31 December 2018:

	2018 £000
No later than 1 year	1,020
Later than 1 year and no later than 5 years	4,144
Later than 5 years	6,056
Total	**11,220**
Future finance charges	(2,591)
Finance lease liabilities	**8,629**

The present value of finance lease liabilities is as follows at 31 December 2018:

	2018 £000
No later than 1 year	581
Later than 1 year and no later than 5 years	2,714
Later than 5 years	5,334
	8,629

The following is a maturity analysis of the future aggregate minimum lease payments under non-cancellable operating leases, under IAS 17, as of 31 December 2018.

	2018 £000
No later than one year	7,377
Later than one year and no later than five years	13,366
Later than five years	-
	20,743

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

25. PROVISIONS FOR LIABILITIES

	Restructuring	Dilapidation	Provision for Customer Redress	Membership Rewards	Other	Total
	£000	£000	£000	£000	£000	£000
Cost:						
At 1 January 2019	1,798	4,357	20,538	104,894	3,480	135,067
Provision reinstated (previously classified as held for sale)	1,058	59	-	-	2,837	3,954
Transfer to/(from) other provision category	-	431	-	-	(431)	-
Exchange differences	(96)	(3)	-	(652)	(237)	(988)
Increase in provision	7,815	531	4,261	86,186	713	99,506
Utilisations	(6,939)	-	(11,983)	(72,641)	(2,776)	(94,339)
Releases	(862)	-	-	-	-	(862)
At 31 December 2019	2,774	5,375	12,816	117,787	3,586	142,338

Amounts within the restructuring, dilapidation and other categories that were previously deemed to be in scope for the business transfer but were ultimately retained have been re-instated.

Restructuring provision
From time to time, the Company initiates restructuring programs to become more efficient and effective, and to support new business strategies. In connection with these programs, the Company will typically incur severance and other exit costs. During 2019, the Company recognised £7.8m (2018: £10.7m) of restructuring charges, and £0.9m (2018: (£0.5m)) for adjustments of previously accrued amounts due to revisions of prior estimates.

Dilapidation provision
The dilapidation provision represents the estimated cost of returning buildings leased by the Company to their original state prior to their occupation by the Company, where the requirement to do so is specified in the terms and conditions of the lease.

Provision for customer redress
During 2009 and 2010, the Financial Conduct Authority issued guidance for customer complaints handling, with regard to fair assessment and calculation of potential redress in respect of Payment Protection Insurance ("PPI"). These rules have led to increased levels of claims for refund from present and past policy holders. A provision has been recognised for the expected cost of policy premium, interest refunds and Financial Ombudsmen Service ("FOS") fees. Compensation amounts are determined in accordance with the FOS guidelines.

The provision is based on recent trends and future anticipated refunds activity.

There remains uncertainty around the volume of future complaints for redress and therefore the actual amount paid is likely to be different from the amount provided. However, the provision represents management's best estimate at this point in time of the redress that will be paid.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

25. PROVISIONS FOR LIABILITIES (Continued)

Provision for customer redress (continued)
During the year ending 31 December 2019, the Company recognised a further £4.3m (2018: £3.2m) in its PPI remediation reserve. The increase in year is representative of the increase in complaint volumes up to the FCA deadline (29 August 2019) and higher forecast refund levels through to the end of remediation period.

Membership rewards
The Company records a Membership Rewards liability that represents the estimated cost of Membership Rewards points earned that are expected to be redeemed by Cardmembers in the future. The Membership Rewards liability is impacted over time by enrolment levels, attrition, the volume of points earned and redeemed, and the associated redemption costs. The Company estimates the Membership Rewards liability by determining the ultimate redemption rate ("URR") and the weighted average cost ("WAC") per point, which are applied to the points of current enrolees. The URR assumption is used to estimate the number of Membership Rewards points earned by current enrolees that will ultimately be redeemed in future periods (Note 3.27).

The Company uses statistical and actuarial models to estimate the URR of points earned to date by current Cardmembers based on redemption trends, card product type, enrolment tenure, card spend levels and credit attributes. The WAC per point assumption is used to estimate future redemption costs and is primarily based on redemption choices made by Cardmembers, reward offerings by partners, and Membership Rewards program changes. The WAC per point is derived from the previous 12 months of redemptions and is adjusted as appropriate for certain changes in redemption costs that are not representative of future cost expectations. The timing of the outflow of economic benefits is dependent on Cardmember redemption behaviours.

Other provisions
Other provisions comprise the aggregate anticipated cost of various outstanding claims and litigation cases including uncertain tax positions.

Potential liabilities have been assessed in line with the Company's accounting policy on Provisions and Contingent Liabilities, and have been provided for accordingly.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

26. DEFERRED INCOME

	2019 £000	Restated 2018 £000
Deferred card fees income	**72,126**	62,154
Other deferred income	**413**	406
	72,539	62,560

£23m classified as "other deferred income" in the prior year has been reclassified to "deferred card fees income" due to a refinement in the classification criteria applied.

A reconciliation of deferred card fees income is as follows:

	2019 £000
At 1st January (Restated)	62,154
Card fees deferred during the year	155,905
Revenue recognised during the year	(145,595)
Other foreign currency adjustments	(338)
At 31st December	**72,126**

27. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2019 No.	2018 No.	2019 £000	2018 £000
Opening ordinary shares of £1 each	**184,348,573**	171,628,537	**184,349**	171,629
Issued during the year of £1 each	**-**	12,720,036	**-**	12,720
Closing Ordinary shares	**184,348,573**	184,348,573	**184,349**	184,349
Preference shares of $1 each	**47,604,000**	47,604,000	**27,439**	27,439
	231,952,573	231,952,573	**211,788**	211,788

The company does not have a limited amount of authorised capital.

The $1 preference shares have diluted voting rights, one vote for every two shares held. In any year when the Company's distributable profits exceed the amount which would be necessary in order to declare and pay a dividend of $0.20 per share but no dividend is declared, the holders accrue the right to a deferred dividend of $0.20 per share, which shall be payable in the event of a return of capital or otherwise at the discretion of the Company. On winding up, the $1 preference shareholders rank above ordinary shareholders and are entitled to receive the amounts paid up plus an additional amount of $1 dollar per preference share held; deferred dividends rank for payment after amounts paid up on ordinary shares.

The $1 preference share capital is converted at the historic exchange rate as at the date of issuance.

28. PENSIONS

American Express provides retirement benefits through a variety of arrangements comprising defined benefit and defined contribution plans. The material plans ('the Plans') comprise the American Express UK Pension Plan ('the UK Plan') and several pension arrangements in Germany ('the German Plans').

The UK and German Plans and the related costs are assessed in accordance with the advice of qualified independent actuaries. The Plans identified have several participating employers sharing the risks between entities under common control. Both the UK and German Plans do not have a stated policy for sharing net defined benefit cost or for determining the contributions to be paid by each participating legal entity for these schemes. None of the participating legal entities have been assessed as being sponsoring employers of these Plans. As a result, American Express UK legal entities account for these Plans as if they were defined contribution arrangements with additional disclosure notes compliant with the IAS19 requirements for these types of arrangements. The information of these Plans as a whole is presented below.

The UK Plan

The UK Plan is a defined benefit pension plan with a normal retirement age of 65. The UK Plan was offered to employees who joined the company before 1 July 2006 and has a weighted average duration of around 15 years. The UK Plan was closed to future accrual on 31 July 2013, although the link to future salary increases was retained up to the end of 2016. The benefit payable from the Plan varies depending on whether the member joined before 1996 or after. For those joining before 1996, there is a pension benefit payable from the Plan that increases in line with statutory requirements. For those joining after 1996, there is a lump sum benefit payable at retirement which the employees can use to purchase an annuity or transfer to an approved plan. All employees in the UK are now offered a defined contribution scheme.

The UK Plan operates under trust law and is governed by a Trustee board in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Plan's assets are held by the trust.

The contributions paid to the UK Plan are agreed with the Trustees on the basis of an annual valuation carried out by the Scheme Actuary. Principal factors that the Scheme Actuary will have regard to include the covenant offered by the Sponsor, the level of risk in the Plan, the Plan's investment strategy and the Plan's funding level. In compliance with the Pensions Act 2004, the Sponsor and the Trustee agreed a scheme-specific funding target, statement of funding principles, a schedule of contributions and a recovery plan accordingly.

The IAS19 liability is most sensitive to changes in discount rate, which depends on market yields on Sterling-denominated AA-rated corporate bonds. In addition to the interest rate risk, the value of liability also depends on the assumptions made about future inflation and life expectation and the risks associated with actual experience in these two areas differing over the long term from the assumptions adopted.

German Plans

There are five defined benefit plans in Germany, of which only one is open to new hires. The normal retirement age is generally 65 and the benefit is generally paid as a lump sum at retirement, although one Plan pays a monthly pension for life. The weighted average duration of the German Plans is around 17 years.

The German Plans are unfunded with the exception of the open Plan, which is a cash balance Plan with assets held in insurance contracts and where there is a guaranteed minimum level of investment return applied to members' cash balance account. For the most part therefore, each participating employer pays and records the cost of benefits as they arise.

As benefits are paid mostly as lump sums, the total liability is not dependent on the level of inflationary increases of pension benefits in payment or the period of time the pension will be paid (life expectancy) and so the Plans are not exposed to inflationary or significant longevity risks. The total liability is dependent on future salary increase levels (linked to the level of benefits payable) and the discount rate (which depends on market yields on Euro-denominated AA corporate bonds). These are the two main risks affecting the level of the German Plans' liabilities.

28. PENSIONS

Key assumptions and valuation results

The key assumptions used to value the UK and German Plans' liabilities based IAS19 requirements together with the results obtained are set out below. Although there are multiple plans in Germany, all plans were valued using the same financial and demographic assumptions.

Assumptions	**Nominal % pa**			
	UK		**Germany**	
	2019	2018	**2019**	2018
Discount rate	1.85	2.65	0.90	1.85
Rate of increase in salaries	n/a	n/a	2.90	2.90
Social Security increases	n/a	n/a	2.40	2.40
Rate of pension increase in payment*	0.00-3.01	0.00-3.01	1.90	1.90
Rate of increase in price inflation				
RPI**	3.00	3.25	n/a	n/a
CPI**	2.25	2.25	1.90	1.90
Mortality table	SAPS S3 Light mortality table CMI 2018 model with trend of 1.50% per annum	SAPS Light mortality table CMI 2017 model with trend of 1.50% per annum	Heubeck 2018G	Heubeck 2018G

* post 88 GMP = 1.90%; pre 1997 excess = 0%; April 1997 to April 2005 = 2.84%; post April 2005 = 1.90%
** RPI = Retail Price Inflation; CPI = Consumer Price Inflation

The table below shows the value of IAS19 liabilities and assets as at 31 December 2019.

IAS19 Defined Benefit Obligation and Market Value of Assets	**UK 2019 (£m)**	**UK 2018 (£m)**	**Germany 2019 (£m)**	**Germany 2018 (£m)**
Present value of Plan liabilities	1,233.0*	1,100.5*	103.2	93.6
Market value of assets**	1,126.6*	1,020.5*	3.9	3.7
Deficit	(106.4)	(80.0)	(99.3)	(89.9)
Sensitivity analysis - 2019 Defined Benefit Obligation				
Discount rate assumption being 1% higher	1,079.4*		88.0	
Discount rate assumption being 1% lower	1,410.2*		121.6	

* Includes £69m of Additional Voluntary Contribution ("AVCs") (£68m in 2018)
** There are no self-invested assets in the UK Plan or in the German Plans

28. PENSIONS

The German Plans are for the majority unfunded with only 4% of the liabilities covered by assets. It is common practice in Germany for defined benefit plans to be unfunded. German plan assets are 100% invested in insurance contracts. The UK Plan's major asset categories are shown in the table below.

Asset Allocation as at 31 December

	2019 (£m)	2018 (£m)
Domestic equities	21.0	18.9
Foreign equities	288.2	235.4
Government bonds	231.0	231.9
Corporate bonds	54.0	44.4
Buy-in contract	245.1	235.7
Additional voluntary contributions	69.1	67.8
Cash and cash equivalents	51.9	30.0
Other	166.3	156.4
Total	1,126.6	1,020.5

There was a special event in 2017 for the UK Plan involving a pensioner buy-in transaction to partially insure the UK pensioner liabilities. The value of the buy-in contract is £245m and has been included within the allocation above. The remaining assets under the "Other" category represent amounts mainly invested in diversified funds. As a result of the 2018 UK court ruling requiring the equalisation of Guaranteed Minimum Pensions (GMP) in UK pension schemes, the 2019 UK Plan liabilities include an allowance for GMP equalisation.

All securities invested by the UK Plan have a quoted market price in an active market (with the exception of £269.1m mainly attributable to the pensioner buy-in contract).

The assets and liabilities shown above include defined contribution assets and liabilities (from AVCs) as at 31 December 2019. Please note that the other assets shown above include the UK Plan's net current assets of £51.9m as at 31 December 2019.

Contributions

The employer contributions to the UK Plan and German Plans during the calendar year 2019 and expected for 2020 are summarised in the table below.

Country/Plan(s)	2020 Expected Contributions (£m)	Actual 2019 Contributions (£m)	Actual 2018 Contributions (£m)
UK	20.4	20.4*	20.6*
Germany**	2.5	1.8	1.7

* In addition during 2019, the employer contributed £32.9m (2018: £34m) (including salary sacrifice contributions) to the defined contribution Stakeholder Plan in the UK.

** Contributions in Germany include benefit payments made directly by the employer and contributions into the Cash Balance Plan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

29. COMMITMENTS

The Company has commitments to extend credit to its Cardmembers for its lending products. These commitments are not contractual and are cancellable at the discretion of the Company if there is an objectively justifiable reason to do so. The commitment for these products represents the maximum potential credit risk, assuming the amount is fully utilised and the Cardmember defaults and collection efforts are unsuccessful. As at 31 December 2019 these commitments were £16,595,635,864 (2018: £14,391,061,845). These amounts are not fully drawn by the Company's Cardmembers and, therefore these amounts in aggregate are not indicative of future cash requirements. Management does not expect any material adverse consequence to the Company's financial position to result from these commitments.

At 31 December 2019 the Company had Co-Brand commitments of £68,891,667 (2018: £114,730,387) in respect of non-cancellable minimum annual payments and marketing fees. This amount is due to be paid over a period not exceeding five years. The Co-Brand agreements allow the Company to issue both consumer and corporate co-branded products.

30. CONTINGENT LIABILITIES

The Company previously had an open matter in relation to assessments of indirect tax in the UK for £58.3m, inclusive of interest of £3.2m, from HMRC relating to the period October 2010 to October 2014. Management formally disputed both the assessment and the ruling and requested a reconsideration of the decision.

In 2015, the Company entered into the litigation phase of appealing the assessment and engaged external counsel. In order to contest the assessment, the Company was required to lodge a deposit recorded within Other Debtors for the value of the assessment and file an appeal to the tax tribunal, both of which were completed in 2015, with the deposit being recorded in Other Debtors.

A tribunal hearing took place in December 2018 and management subsequently received a favourable verdict. Of the £58.3m deposit, £51.8m was refunded in December 2019 with the remaining £6.5m expected to be received in 2020. Furthermore, during the year the Company recognised an administrative expense recovery of £96m and interest income of £3m relating to historic indirect tax overpayments. The expense recovery has been presented as an exceptional item within the 2019 Income Statement and this amount was fully refunded in 2020.

The matter is now closed therefore a contingent liability assessment is no longer applicable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

31. RELATED PARTY TRANSACTIONS

The following 2019 Directors and Key Management Personnel held American Express personal and corporate cards during the year which are issued by the Company under the normal terms of business:

	Balance at 1 January 2019*	Highest balance in the year*	Balance at 31 December 2019*
	£	£	£
Directors			
C Duerden– Chairperson	6,968	12,478	6,632
D Bailey – Chief Financial Officer	7,300	17,128	12,266
C Carriedo	13,952	19,886	15,122
D Edelman	8,338	19,899	3,273
L Fenwick	17,990	20,638	8,862
J Grafflin	3,818	17,442	10,142
R Marquez	17,180	47,130	29,794
D Murray	6,141	13,957	1,874
C O'Flaherty	13,686	19,273	11,129
A Varadhan	7,435	7,981	2,732
Key Management Personnel			
P Brown	5,266	24,355	4,748
E K Chang	4,053	8,481	2,954
L Johnston	11,972	22,180	19,716
B Sawyers	17,054	20,980	6,687

*amounts are inclusive of Close Family Member balances

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

32. DISCONTINUED OPERATIONS

On 1st March 2019 the Company completed its business transfer in respect of those operations impacted by the regulatory risk posed by Brexit. American Express Europe S.A. (AEESA) issued 27,513 new ordinary shares at par value of €1,000 and premium of €4,974 as consideration for the transfer assets and liabilities associated with AESEL's passporting reliant issuing business (excluding Italy). American Express Italia s.r.l. (AEI) issued share capital of €40,351 as consideration for the transfer assets and liabilities associated with the Italian passporting reliant issuing business. The transaction has been accounted for at book value under the Company's 'Business combinations, acquisitions and disposals policy (Note 3.7).

A summary of the assets and liabilities transferred is as follows:

	1 March 2019
	£000
Assets transferred	
Intangible assets	5,310
Tangible assets	12,434
Cardmember loans and receivables	2,605,157
Loans due from Group undertakings	1,592,265
Other debtors	10,032
Deferred Cardmember acquisition costs	44,780
Prepayments and accrued income	10,359
Loan to related parties	285
Cash at bank and in hand	19,729
Deferred tax asset	9,718
	4,310,069
Liabilities transferred	
Bank loan and overdrafts	7,288
Trade creditors	12,017
Loans due to Group undertakings	3,044,171
Amounts payable to Group undertakings	853,568
Other taxation and social security	163
Corporation tax	7,990
Other creditors	60,191
Unfunded commitment	3,653
Accruals	74,041
Deferred income	81,299
Provisions	119,990
	4,264,371
Total Net Assets	**45,698**

Income Statement activity within the scope of the business transfer was reported as a discontinued operation in the current and prior year. Assets and liabilities within the scope of the business transfer were classified as held for sale at 31st December 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

33. EVENTS AFTER THE BALANCE SHEET DATE

With the outbreak of COVID-19 and its evolvement across the globe in the first quarter of 2020, management has considered the potential financial effects of the COVID-19 pandemic when preparing the Company's financial statements for the year ended 31st December 2019. As of 21st May 2020, there is no indication of any reportable events impacting the financial position of the Company at the reporting date, therefore management has determined this to be a non-adjusting subsequent event. However, the Company now faces new risks from COVID-19 including the deterioration of future earnings due to; lower Cardmember spend; a decline in subsidiary performance; and an increase in Cardmember credit risk.

A deterioration of future revenues due to lower Cardmember spend may have a negative impact to the Company's earnings unless equivalent expense reductions can be achieved. In addition, certain categories of the Company's revenue from services to other Group companies are linked to the level of profitability of the card issuing subsidiary. A deterioration in the performance of these subsidiaries may also result in a reduction to the Company's earnings. Given the strong capital position of the Company, Management do not consider any forecasted impact to the Company's profitability to represent a significant going concern risk.

The risk of non-recovery for the majority of outstanding Cardmember loans and receivables held in respect of the Company's card issuing activities lies with an affiliate entity who purchases these loans and receivables on a monthly basis. The expected credit risk, including past performance of similar loans and receivables, is taken into consideration by the affiliate entity when determining their purchase price, therefore the expense incurred by the Company upon sale may increase as Cardmember credit risk increases.

Given that the aforementioned arrangement is the key source of the Company's liquidity, Management has also considered the recoverability of balances owed by affiliate entities. The balance sheet, capital and liquidity profile of American Express Company remains very strong, with access to broad and well diversified funding sources, providing significant flexibility to maintain the strength of the balance sheet in periods of uncertainty or stress. The Group is closely monitoring the rapidly changing macroeconomic environment and is actively managing its balance sheet to reflect evolving circumstances, suspending share repurchases to support its objective of remaining financially strong against a backdrop of a highly uncertain operating environment and outlook. While the expansion of the COVID-19 pandemic has led to significant volatility in funding markets, the Group believes that it has sufficient liquidity sources to meet all internal and regulatory liquidity requirements. Accordingly, the recoverability of amounts due from affiliates and the ongoing viability and access to these liquidity sources is not considered to be significantly at risk. The risk to the recoverability of these balances is also further mitigated given that lower future Cardmember spend will reduce AESEL's funding requirement and the associated balances owed by affiliates.

2020 European Insurance back book transfer
On the 1st of March 2020 the Company disposed of its European insurance back book to an affiliate company, American Express International Inc (Germany Branch) in order to rationalise the EMEA insurance legal entity footprint across the Group. The consideration paid for the underlying back book policies was €4.3m and net assets with a face value of £Nil were transferred.