

Registration number: 04179465

# Paymentshield Life Underwriting Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016



# **Paymentshield Life Underwriting Services Limited**

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## **Paymentshield Life Underwriting Services Limited**

### **Company Information**

<b>Directors</b>	M S Mugge D C Ross
<b>Company secretary</b>	J A Gregory
<b>Registered office</b>	Paymentshield House Wight Moss Way Southport Merseyside PR8 4HQ
<b>Auditor</b>	KPMG LLP 1 St Peter's Square Manchester M2 3AE

## **Paymentshield Life Underwriting Services Limited**

### **Strategic Report for the Year Ended 31 December 2016**

The directors present their strategic report for the year ended 31 December 2016 for Paymentshield Life Underwriting Services Limited ("the Company"). The strategic report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of the Sentry Holdings Limited Group ("the Group" or "Towergate"). Whilst Sentry Holdings Limited is the ultimate parent company, the directors of its subsidiary The Ardonagh Group Limited (formerly known as TIG Topco Limited) manage the Group's operations on a daily basis.

#### **Principal activities and business review**

The principal activity of the Company is that of an indirect introducer for life and mortgage products acting through a panel of underwriters, however the Company no longer writes new business but continues to receive commission income from policies in force.

The results for the Company show turnover of £68,985 (2015: £139,495) and profit before tax of £37,600 (2015: £127,310) for the year. At 31 December 2016 the Company had net assets of £1,004,516 (2015: £966,227). The accounting policies note on page 13 sets out the reasons why the directors continue to believe that the preparation of the financial statements on the going concern basis is appropriate.

#### **Business strategy and objectives**

The Company no longer writes new business but continues to receive commission income from policies in force. The Company continues to emphasise the fundamental importance of putting customers first and has developed policies and processes with the aim of treating every customer fairly and consistently.

#### **Outlook**

The Company no longer writes new policies and income is derived from policies in force. The directors do not expect there to be any changes in the nature of the business in 2017.

#### **Key performance indicators**

The directors of The Ardonagh Group Limited manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that a separate analysis for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group is discussed in the Group's annual report.

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

##### **Risk management**

The Company's parent, Paymentshield Limited, has a strategy for the identification, mitigation and management of risk. A wide ranging assessment of business risks has been undertaken by Paymentshield Limited resulting in the compilation of a risk register. The risk register is subject to discussion at regular Risk Management Committee meetings carried out by the parent company and this ongoing risk management ensures there is appropriate reporting from the business which will highlight changes in risk profile. The risks are managed and monitored to be within the agreed risk appetite.

The principal risks and their mitigation are as follows:

##### *Strategic and commercial risk*

The Company regularly reviews the economic and competitive environment as part of its future projections. Company management adopt an appropriate strategy for any risks arising from changes to the competitive and economic environment.

## Paymentshield Life Underwriting Services Limited

### Strategic Report for the Year Ended 31 December 2016

#### *Financial risk*

The Company recognises the importance of maintaining adequate cash flows to meet its financial obligations and its credit terms with suppliers are structured to achieve this. The financial risks of adverse valuations, declining revenues or future cash flow stresses are mitigated by proactive management of the business plan and regular monitoring of cash flows against risk appetite.

#### *Operational risk*

There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel or from external events. These are mitigated by having an Enterprise Risk Management Framework in place, which is owned by the Group Risk Officer. The framework requires all risks to have owners, and these owners have appropriate controls in place which are regularly monitored and significant changes to the risk escalated as required.

#### *Regulatory and legal risk*

This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non compliance with laws, regulations and applicable administrative provisions. This risk is mitigated by a proactive relationship with the Financial Conduct Authority, a dedicated compliance function, and a compliance monitoring programme. Furthermore, there is a control framework that has been rolled out and embedded within the culture throughout the Company to reduce the risk of errors and non compliance.

#### *Future impact of Brexit*

As a business that operates predominantly in the United Kingdom (UK) the Company is affected by economic conditions in the UK and the associated possibility of decline in business and customer confidence. This risk has been exacerbated by the uncertainties surrounding the UK's decision to leave the European Union ("Brexit"). Our typical small to medium-sized business (SME) customers and individual consumers may be more vulnerable to any economic downturn than larger commercial customers, reducing or delaying insurance purchases or making premium payments.

The Brexit decision could lead to the UK leaving the single market for goods and services and the ability of businesses to passport between the UK and other EU states. The direct impact on the Company will not be significant because it currently conducts little business outside the UK, although there may be some effects on the insurance markets into which we place business.

Approved by the Board on 20..... September 2017 and signed on its behalf by:



M S Mugge  
Director

## **Paymentshield Life Underwriting Services Limited**

### **Directors' Report for the Year Ended 31 December 2016**

The directors present their report and the financial statements for the year ended 31 December 2016.

#### **Directors of the Company**

The directors, who held office during the year, were as follows:

M S Mugge

D C Ross (appointed 20 December 2016)

#### **Dividends**

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2016 (2015: £Nil).

#### **Financial risk management objectives and policies**

Details of financial risk management objectives and policies can be found in the strategic report within the 'Risk management' section on page 2.

#### **Future developments**

Details of future developments can be found in the strategic report within the 'Outlook' section on page 2.

#### **Political donations**

The Company has not made any political donations during the year (2015: £Nil).

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development are described in the strategic report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details of this assessment can be found in note 2 to these financial statements.

#### **Directors' liabilities**

All directors benefit from qualifying third party indemnity provisions, subject to the conditions set out in the Companies Act 2006, in place during the financial year and at the date of this report.

#### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

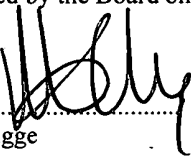
**Paymentshield Life Underwriting Services Limited**

**Directors' Report for the Year Ended 31 December 2016**

**Reappointment of auditor**

The auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on <sup>20</sup>..... September 2017 and signed on its behalf by:

  
.....  
M S Mugge  
Director

Paymentshield House  
Wight Moss Way  
Southport  
Merseyside  
PR8 4HQ

## **Paymentshield Life Underwriting Services Limited**

### **Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework (FRS 101).

Under company law they must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## **Independent Auditor's Report to the members of Paymentsshield Life Underwriting Services Limited**

We have audited the financial statements of Paymentsshield Life Underwriting Services Limited for the year ended 31 December 2016, set out on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

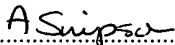
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

## **Independent Auditor's Report to the members of Paymentsshield Life Underwriting Services Limited**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

  
.....  
Alexander Simpson (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*

1 St Peter's Square  
Manchester  
M2 3AE

Date: 21..... September 2017

# **Paymentshield Life Underwriting Services Limited**

## **Statement of Comprehensive Income for the Year Ended 31 December 2016**

	<b>Note</b>	<b>2016 £</b>	<b>2015 £</b>
<b>Turnover</b>	3	68,985	139,495
Cost of sales		<u>(31,385)</u>	<u>(7,367)</u>
Gross profit		37,600	132,128
Administrative expenses		<u>-</u>	<u>(4,961)</u>
<b>Operating profit</b>	4	37,600	127,167
Finance income	5	<u>-</u>	<u>143</u>
<b>Profit before tax</b>		37,600	127,310
Income tax credit/(expense)	8	<u>689</u>	<u>(25,780)</u>
<b>Total comprehensive profit for the year</b>		<u><u>38,289</u></u>	<u><u>101,530</u></u>

The above results were derived from continuing operations.

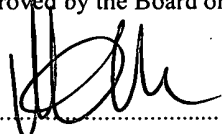
**Paymentsshield Life Underwriting Services Limited**

**(Registration number: 04179465)**

**Statement of Financial Position as at 31 December 2016**

	Note	2016 £	2015 £
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	9	1,102,824	980,126
Cash and cash equivalents	10	851	92,245
		<u>1,103,675</u>	<u>1,072,371</u>
<b>Total assets</b>		<u><u>1,103,675</u></u>	<u><u>1,072,371</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	11	1	1
Profit and loss account		<u>1,004,515</u>	<u>966,226</u>
		<u>1,004,516</u>	<u>966,227</u>
<b>Current liabilities</b>			
Trade and other payables	12	91,639	80,364
Income tax liability	8	<u>7,520</u>	<u>25,780</u>
		<u>99,159</u>	<u>106,144</u>
<b>Total equity and liabilities</b>		<u><u>1,103,675</u></u>	<u><u>1,072,371</u></u>

Approved by the Board on 20 September 2017 and signed on its behalf by:



.....  
M S Mugge  
Director

**Paymentshield Life Underwriting Services Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2016**

	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total £</b>
At 1 January 2016	1	966,226	966,227
Total comprehensive income	<u>-</u>	<u>38,289</u>	<u>38,289</u>
At 31 December 2016	<u><u>1</u></u>	<u><u>1,004,515</u></u>	<u><u>1,004,516</u></u>

	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total £</b>
At 1 January 2015	1	864,696	864,697
Total comprehensive income	<u>-</u>	<u>101,530</u>	<u>101,530</u>
At 31 December 2015	<u><u>1</u></u>	<u><u>966,226</u></u>	<u><u>966,227</u></u>

The notes on pages 12 to 16 form an integral part of these financial statements.

## **Paymentshield Life Underwriting Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **1 Authorisation of financial statements**

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

These financial statements for the year ended 31 December 2016 were authorised by the Board on <sup>20</sup>20 September 2017 and the statement of financial position was signed on the Board's behalf by M S Mugge.

#### **2 Accounting policies**

##### **Basis of preparation**

These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework.

These financial statements have been prepared on a historical cost basis. The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

##### **Summary of disclosure exemptions**

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101 where relevant:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;
- (b) the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- (c) the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;
- (d) the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- (e) the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;

Equivalent disclosures are included in the Group's consolidated financial statements as required by FRS 101 where exemptions have been applied.

## **Paymentshield Life Underwriting Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **2 Accounting policies (continued)**

##### **Going Concern**

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2016 the Company had net assets of £1,004,516 (2015: £966,227) and net current assets of £1,004,516 (2015: £966,227). The net assets include amounts receivable from related parties of £1,102,824 (2015: £980,126), and amounts due to related parties of £86,790 (2015: £75,097).

The directors believe the going concern basis to be appropriate following their assessment of the Company's financial position and its ability to meet its obligations as and when they fall due.

##### **Tax**

The tax expense for the period comprises corporation tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

##### **Financial assets**

Financial assets are initially measured at fair value plus directly attributable transaction costs. The Company's financial assets include cash and trade and other receivables. The subsequent measurement of financial assets depends on their classification.

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

##### **Financial liabilities**

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables. The subsequent measurement of financial liabilities depends on their classification.

## Paymentshield Life Underwriting Services Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### 2 Accounting policies (continued)

##### Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

#### 3 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2016	2015
	£	£
Commission and fees	<u>68,985</u>	<u>139,495</u>

Turnover consists entirely of sales made in the United Kingdom.

#### 4 Operating profit

The audit fee is met by other Group companies for which no recharge is made to the Company.

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Sentry Holdings Limited.

#### 5 Other interest receivable and similar income

	2016	2015
	£	£
Interest income on bank deposits	<u>-</u>	<u>143</u>

#### 6 Staff costs

The Company had no employees in the current year or in the preceding year. All administration is performed by employees of the Group for which no recharge is made to the Company as it is not possible to make an accurate apportionment of these administrative costs.

#### 7 Directors' remuneration

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors are directors of The Ardonagh Group Limited and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Their total emoluments are included in the consolidated financial statements of The Ardonagh Group Limited.



# **Paymentshield Life Underwriting Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2016**

### **8 Income tax**

Tax charged/(credited) in the statement of comprehensive income

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
UK corporation tax	7,520	25,780
UK corporation tax adjustment to prior periods	<u>(8,209)</u>	<u>-</u>
	<u><b>(689)</b></u>	<u><b>25,780</b></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Profit before tax	<u>37,600</u>	<u>127,310</u>
Corporation tax at standard rate	7,520	25,780
Increase (decrease) in current tax from adjustment for prior periods	<u>(8,209)</u>	<u>-</u>
Total tax (credit)/charge	<u><b>(689)</b></u>	<u><b>25,780</b></u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. These reductions will reduce the Company's future current tax charge / credit accordingly.

### **9 Trade and other receivables**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Receivables from related parties	<u>1,102,824</u>	<u>980,126</u>

### **10 Cash and cash equivalents**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Cash at bank	<u>851</u>	<u>92,245</u>

# **Paymentshield Life Underwriting Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2016**

### **11 Share capital**

#### **Allotted, called up and fully paid shares**

	<b>No.</b>	<b>2016 £</b>	<b>No.</b>	<b>2015 £</b>
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

### **12 Trade and other payables**

	<b>2016 £</b>	<b>2015 £</b>
<b>Current trade and other payables</b>		
Trade payables	4,849	5,267
Amounts due to related parties	<u>86,790</u>	<u>75,097</u>
	<u>91,639</u>	<u>80,364</u>

### **13 Related party transactions**

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

### **14 Ultimate parent company**

On 2 April 2015, HPS Investment Partners LLC, formerly known as Highbridge Principal Strategies LLC became the Group's majority shareholder when its investment in Sentry Holdings Limited (incorporated in Jersey, registered office 22 Grenville Street, St Helier, Jersey, JE4 8PX) acquired a direct interest in The Ardonagh Group Limited (incorporated in Jersey, registered office address, 47 Esplanade, St Helier, Jersey, JE1 0BD) and indirect interests in Towergate Insurance Limited and its subsidiaries. At 31 December 2016, the ultimate parent company was Sentry Holdings Limited. Sentry Holdings Limited is the largest group in which the results are consolidated. These financial statements are available upon request from:

Towergate House  
Eclipse Park  
Sittingbourne Road  
Maidstone  
Kent  
ME14 3EN