

Registration number: 05919794

# Paymentshield Group Holdings Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2022

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## **Paymentshield Group Holdings Limited**

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## **Paymentshield Group Holdings Limited**

### **Company Information**

<b>Directors</b>	R I Evans
	E J Rawlinson
	R J Shepherd
<b>Company secretary</b>	Ardonagh Corporate Secretary Limited
<b>Registered office</b>	Southport Business Park
	Wight Moss Way
	Southport
	PR8 4HQ
	United Kingdom

## **Paymentshield Group Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2022**

The directors present their strategic report for the year ended 31 December 2022 for Paymentshield Group Holdings 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 performance of the Company during the financial year and its position at the end of the year. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. The Company is part of Ardonagh Group Holdings Limited ("the Group").

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

The principal activity of the Company is that of a non-trading holding company, as such the Company does not generate any revenue.

The results for the Company show a profit before tax of £Nil (2021: £185.5m) for the year. At 31 December 2022 the Company had net assets of £255.2m (2021: £255.2m). On 15 September 2023, the Ardonagh Group and the Markerstudy Group agreed a merger between Markerstudy and the Atlanta Group. See note 16 for further details. The going concern note (part of accounting policies) on page 15 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

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

The Company will continue to act as an intermediate holding company and support the strategic objectives of the group companies of internal growth and target acquisitions.

#### **Companies Act s.172 Duty**

The Directors take seriously their obligations under s.172 (1) (a)-(f) of the Companies Act 2006 ("s.172 Duties") to act in a way they consider, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole consistent with s.172 Duties.

Board oversight and governance are discharged by the Atlanta Retail Group Platform and Segment Boards. The Platform Board considers and approves acquisitions and disposals, sets integration/synergy plans and recommends investments over a set limit to the Ardonagh Group Board for approval. The Atlanta Platform Board has constituted a Remuneration Committee and an Audit Committee. The Remuneration Committee approves matters delegated to them by the Group Remuneration Committee and recommends matters that require approval by the Group Remuneration & Nominations Committee. The Audit Committee ensure robust oversight over prudential and financial risk and Internal Audit plan delivery.

The performance and delivery of annual and integration plans of the underlying Broking and MGA businesses within the Atlanta Retail Group are subject to detailed oversight by our Insurance Broking and MGA Segment Boards. The Segment Boards also discharge rigorous oversight over the management of risk. Given the respective size of the businesses, the insurance broking Segment Board have constituted a risk committee that reports back to the Board.

All our Boards and Committees operate under written terms of reference and a delegated authority framework set by the Ardonagh Group. Our Boards and Committees are supplied with regular, comprehensive and timely information in a form and quality that enables them to discharge their duties effectively. Below is an explanation of how the Atlanta Platform and Segment Boards engage with our stakeholders and how their views inform Board decision making.

## **Paymentshield Group Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

#### **Companies Act s.172 Duty (continued)**

##### *Shareholders*

There are two shareholder representative directors on the Atlanta Platform Board who articulate their views during Board discussions.

##### *Employees*

Our employees are central to the success of the Atlanta Group and our remuneration structures are designed to reward good performance at the individual and business level and support our values. In addition, the Atlanta Group focusses on providing long-term career prospects for staff with opportunities to up-skill through training, providing career progression paths and study support and, if appropriate, movement across different Atlanta businesses.

The Atlanta Group has adopted an Equality and Diversity Policy and the Board believes that equality, diversity and inclusion strengthen the Atlanta Group, contribute to long-term business performance, and attract key talent. The Atlanta Board have taken time to consider management actions and initiatives regarding diversity and inclusion, and they support and monitor management actions to increase the proportion of senior leadership roles held by women and other under-represented groups across Atlanta.

During the year, Management introduced several initiatives including an advance pay review of 2% and a one off £500 Cost of Living payment for lower paid colleagues, a Winter Warmer campaign providing free breakfast, lunches and a Community Cupboard to alleviate the cost-of-living related financial pressures for employees.

An annual Groupwide employee pulse survey has been conducted since 2019. 84% of Atlanta employees participated in the 2022 pulse survey, the highest response rate across the Ardonagh Group. Atlanta achieved an average score of 7.7 (out of 10) across all questions, higher than the 7.5 average score across the Ardonagh Group. The survey highlighted positive trends regarding creating a sense of belonging and purpose, fostering cultures of inclusion and respect, and building strong team and line manager relationships. The survey also highlighted that there is also work to do on recognition and inter-department/brand collaboration.

##### *Customers*

Seeking good customer outcomes is central to the success of the business. Management continues to seek customer views and improve how we track our customers' perceptions of our businesses and bring the voice of our customers into Board reporting. Our products and services are periodically reviewed to ensure they continue to meet the needs of our customers.

In response to the cost-of-living crisis, the Board has reviewed and enhanced how we support our vulnerable customers, including dedicated call lines staffed by colleagues who have received specific training and provided with tools and solutions to help our customers.

In preparation for the new UK Customer Duty launched by the FCA, the Atlanta segment board selected an independent non-executive director to act as a Customer Champion who regularly meets with management to discuss and challenge performance against customer related metrics and helps facilitate the voice of the customer to be heard in the Boardroom.

## **Paymentshield Group Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

#### **Companies Act s.172 Duty (continued)**

##### *Regulatory relationships*

The Board prioritises positive, open and transparent engagement with all our regulatory relationships. Our directors receive regular updates on regulatory interactions and new regulatory rules and guidance and how they impact our businesses. We participate in thematic reviews and believe that strong regulatory relationships are a source of competitive advantage.

##### *Insurers*

Our insurance partners are fundamental to the success of the business. Senior leaders regularly meet with key insurance partners, supported by increasingly sophisticated data, to discuss performance and ways in which we can continue to meet customers' needs and these developments are reported to our Boards.

##### *Our Suppliers*

Management aims to treat all our suppliers fairly and to pay them in accordance with contractual terms. Our key suppliers are defined by the Group Outsourcing and Procurement Policy which ensures that all key suppliers are identified and subject to appropriate monitoring and engagement. Management ensures appropriate due diligence is performed on key suppliers before they are engaged. We require that our suppliers have ESG and modern slavery policies that are at least as stringent as our own.

The businesses publish a Payment Practices Report, on a bi-annual basis in accordance with the statutory reporting duty which requires companies to report on their payment policies, practices and performance.

##### *Community*

Ardonagh contributes to the communities in which we operate through the Ardonagh Charitable Trust. Further details on how we interact with communities are set out in the Sustainability Report available on the Ardonagh website.

#### **Case Study in considering stakeholders in decision making**

Our Atlanta Platform Board considered the new UK Consumer Duty rules and how they will impact our businesses and our stakeholders, as outlined out below:

##### *Our Boards*

The Platform Board considered and approved management's implementation plans to ensure compliance with the new Consumer Duty rules by the regulatory deadline. The Board received training and the previously mentioned Consumer Duty champion on the Board received additional briefings and training to ensure they can effectively discharge oversight and challenge. The Atlanta Segment Board will receive annual reviews in order to evidence that products and services comply with the new Consumer Duty.

##### *Colleagues*

Our Boards received assurances that relevant staff will receive training on the new Consumer Duty rules and regular communications are sent out to staff to ensure awareness of the new rules and support the embedding of the Consumer Duty requirements. Our Boards regularly consider the culture within our businesses and ensure risk frameworks and remuneration policies help drive the right conduct and behaviours.

## **Paymentsshield Group Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

#### **Companies Act s.172 Duty (continued)**

##### *Customers*

Our customers are at the heart of our decision making and our Boards considered how the business will ensure 'good customer outcomes' will be achieved and evidenced and how the business treats vulnerable customers. Our Boards have tasked management to build new metrics and reporting to enable compliance with the new rules to be measured and monitored. Management is also seeking ways to enhance customer communications in light of the new rules, and these enhancements will be subject to Board oversight and challenge.

##### *Insurers*

Our segment Boards considered how the business will work with our insurer partners in order to comply with the new Consumer Duty rules, in particular how 'fair value' assessments will be conducted.

##### *Regulatory*

Our segment Boards discharge oversight and challenge to ensure the business complies with regulatory deadlines set out in the new Consumer Duty rules. In addition, our Risk Committee consider interactions with the FCA to ensure our regulatory relationship is constructive, transparent and cooperative.

##### *Shareholders*

Our shareholder representative directors report back to the Group Board on progress and the impact of compliance with the new Consumer Duty rules on the business.

#### **Outlook**

On 15 September 2023, the Ardonagh Group and the Markerstudy Group agreed a merger between Markerstudy and the Atlanta Group. See note 16 for further details. The directors do not expect there to be any changes in the nature of the business in 2023.

#### **Key performance indicators**

The directors of the Group manage operations on a segmental basis. For this reason, the Company's directors believe that a detailed 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 which includes this Company is discussed in the Group's annual report.

The key performance indicator for the Company is the carrying value of its subsidiary, as this is the main asset of the Company. The performance of the subsidiary will determine whether an impairment to the carrying value is required and this is tested on a regular basis.

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

Trading performance in the subsidiaries could create the need for impairment leading to a reduction in net assets and distributable reserves of the Company. The subsidiaries set performance targets for the year ahead and performance is reviewed regularly against these targets. Reasons for under performance are monitored and mitigating actions are taken. The investment is reviewed for impairment to ensure the appropriate carrying value in the Company's accounts.

## **Paymentsshield Group Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

The principal risks and their mitigation are as follows:

#### *Financial risk*

There is the risk of an adverse impact on business value or earnings capacity as well as the risk of inadequate cash flows to meet financial obligations. These risks are mitigated by proactive management of the business plan, by regular monitoring of cash flows against risk appetite and by a focus on debt collection.

The Group has demonstrated its resilience to economic uncertainties and demonstrated operational and financial resilience in response to a downturn in UK business and customer confidence.

The Group has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained economic decline, although this has not materialised to date and the Group would respond to income declines by seeking cost savings. The Group had available liquidity of £955.1m at 30 June 2023 and closely monitors available liquidity on an ongoing basis.

Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.

#### *Litigation*

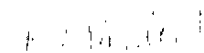
We are subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors, omissions or unfair provisions in connection with the placement of insurance or the provision of financial services advice in the ordinary course of business.

We maintain professional indemnity insurance for errors and omissions claims. The terms of this insurance vary by policy year and our ability to obtain professional indemnity insurance in the future may be adversely impacted by general developments in the market for such insurance, or by our own claims experience. If our insurance coverage proves inadequate or unavailable, there is an increase in liabilities for which we self-insure.

#### *Breach of regulatory requirements*

If we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to substantial fines or other sanctions that may have an adverse effect on our results of operations and financial condition. The Group operates a robust risk and control framework (underpinned by the three lines of defence governance model set out on above) and closely monitors changes to the regulatory environment.

Approved by the Board on 30 October 2023 and signed on its behalf by:



R J Shepherd  
Director



## **Paymentshield Group Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2022**

The directors present their annual report and the unaudited financial statements for the year ended 31 December 2022.

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

The directors, who held office during the year and up to the date of signing, were as follows:

D Cougill (resigned 18 April 2023)

R I Evans

F Mackle (resigned 18 April 2023)

J Byrne (resigned 1 November 2022)

The following directors were appointed after the year end:

E J Rawlinson (appointed 13 April 2023)

R J Shepherd (appointed 13 April 2023)

#### **Dividends**

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2022 (2021: £Nil).

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

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 5.

#### **Future developments**

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 5.

#### **Political donations**

The Company has not made any political donations during the year (2021: £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 a period of at least twelve months from the date of approval of the financial statements. As at 31 December 2022, the Company is reporting net current liabilities of £44.8m (2021: £44.8m). In reaching their view on the preparation of the Company's financial statements on a going concern basis, the directors have also considered the letter of support provided by Ardonagh Group Holdings Limited and the potential implications of the Markerstudy merger. 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.

On 15 September 2023, the Ardonagh Group and the Markerstudy Group agreed a merger between Markerstudy and Atlanta to create a major new player in the UK insurance market. The transaction, which is subject to customary conditions (including regulatory approvals), values Atlanta at £1.2 billion. Ardonagh will retain a minority interest in the new combined group.

## **Paymentshield Group Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2022 (continued)**

The combined group, Atlanta and Markerstudy, will bring together highly complementary capabilities across pricing, underwriting and distribution and will deliver an enhanced proposition for millions of new and existing customers.

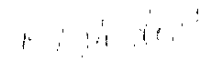
#### **Subsequent events**

Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 21.

#### **Directors' indemnities**

All directors of the Company and fellow Group companies 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.

Approved by the Board on 30 October 2023 and signed on its behalf by:



R J Shepherd  
Director

## **Paymentshield Group Holdings Limited**

### **Statement of Directors' Responsibilities**

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Paymentsshield Group Holdings Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2022**

	<b>Note</b>	<b>2022 £</b>	<b>2021 £</b>
Impairment of investments	9	-	<u>(139,571,854)</u>
<b>Operating loss</b>	4	-	<u>(139,571,854)</u>
Finance income	5	-	<u>325,026,428</u>
<b>Profit before tax</b>		-	185,454,574
Income tax	8	-	<u>-</u>
<b>Profit for the year</b>		<u>-</u>	<u>185,454,574</u>

The above results were derived from continuing operations. There were no items of other comprehensive income in the current or prior period.

The notes on pages 13 to 23 form an integral part of these financial statements.

**Paymentshield Group Holdings Limited**

**(Registration number: 05919794)**

**Statement of Financial Position as at 31 December 2022**

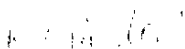
	Note	2022 £	2021 £
<b>Non-current assets</b>			
Investment in subsidiaries	9	300,012,168	300,012,168
<b>Current assets</b>			
Trade and other receivables	10	66,603,431	66,603,431
<b>Current liabilities</b>			
Trade and other payables	11	<u>(111,393,686)</u>	<u>(111,393,686)</u>
<b>Net current liabilities</b>		<u>(44,790,255)</u>	<u>(44,790,255)</u>
<b>Total assets less current liabilities</b>		<u>255,221,913</u>	<u>255,221,913</u>
<b>Net assets</b>		<u>255,221,913</u>	<u>255,221,913</u>
<b>Capital and reserves</b>			
Share capital	13	99,327,814	99,327,814
Capital contribution		1,854	1,854
Retained earnings		<u>155,892,245</u>	<u>155,892,245</u>
<b>Total equity</b>		<u>255,221,913</u>	<u>255,221,913</u>

For the financial year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 30 October 2023 and signed on its behalf by:



R J Shepherd  
Director

The notes on pages 13 to 23 form an integral part of these financial statements.

**Paymentsshield Group Holdings Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2022**

	<b>Share capital £</b>	<b>Capital contribution £</b>	<b>Retained earnings £</b>	<b>Total £</b>
At 1 January 2022	99,327,814	1,854	155,892,245	255,221,913
Profit for the year	-	-	-	-
At 31 December 2022	<u>99,327,814</u>	<u>1,854</u>	<u>155,892,245</u>	<u>255,221,913</u>

	<b>Share capital £</b>	<b>Capital contribution £</b>	<b>Retained (losses)/earnings £</b>	<b>Total £</b>
At 1 January 2021	99,327,814	1,854	(29,562,329)	69,767,339
Profit for the year	-	-	185,454,574	185,454,574
At 31 December 2021	<u>99,327,814</u>	<u>1,854</u>	<u>155,892,245</u>	<u>255,221,913</u>

The notes on pages 13 to 23 form an integral part of these financial statements.

## **Paymentshield Group Holdings Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022**

#### **1 General information**

The Company is a private company limited by share capital incorporated in England and domiciled in the United Kingdom. The details of the Company's registered office address can be found on page 1. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report' section.

These financial statements for the year ended 31 December 2022 were authorised for issue by the Board on 30 October 2023 and the Statement of Financial Position was signed on the board's behalf by R J Shepherd.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

*The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.*

These financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with FRS 101.

As a wholly owned subsidiary of Ardonagh Group Holdings Limited ("AGHL") at 31 December 2022, the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts, and its results are included in the consolidated accounts of its ultimate parent for the year ended 31 December 2022. The previous holding company of the Company was The Ardonagh Group Ltd ("TAGL").

TAGL merged into an overseas company Tara Topco Ltd on 31 May 2022 and, as part of the post-merger structuring, a newly established UK-incorporated company AGHL obtained control of a newly established Jersey-incorporated company Ardonagh New Midco 3 Limited on 1 June 2022, the owner of Ardonagh Midco 1 Limited. Ardonagh Midco 1 Limited was the only direct subsidiary of TAGL (TAGL indirectly owned all the Ardonagh businesses) prior to TAGL's merger with Tara Topco Ltd and AGHL is now the parent of the businesses that were previously part of the Ardonagh Group that was headed by TAGL until 31 May 2022. The references below to the Group is to the group of companies headed by TAGL at a consolidated level prior to 31 May 2022 and also to the Group now headed by AGHL (following TAGL ceasing to exist).

There are no new standards, amendments or interpretations which are effective in 2022 or not yet effective and that are expected to materially impact the Company's financial statements.

## **Paymentshield Group Holdings Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

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

##### **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 UK ("UK-adopted IFRS"), 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:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements in paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements in paragraphs 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;
- the requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- 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;
- the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130(f)(ii) -(iii), 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of valuation techniques, assumptions on which projections used in the impairment review are based and sensitivity analysis.

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgment and key sources of estimation uncertainty disclosure on page 16.



## **Paymentsshield Group Holdings Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

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

##### **Going concern**

As shown in account note 15, the Company was a member of a group ("the Group") of which Ardonagh Group Holdings Limited ("AGHL") was the ultimate parent company and the highest level at which results were consolidated for the year ended 31 December 2022.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2022 the Company had net assets of £255.2m (2021: £255.2m) and net current liabilities of £44.8m (2021: £44.8m). The net assets include amounts receivable from related parties of £66.6m (2021: £66.6m) and due to related parties of £111.4m (2021: £111.4m). In reaching their view on the preparation of the Company's financial statements on a going concern basis, the directors have considered the letter of support provided by Ardonagh Group Holdings Limited.

On 15 September 2023, the Ardonagh Group and the Markerstudy Group agreed a merger between Markerstudy and Atlanta to create a major new player in the UK insurance market. The transaction, which is subject to customary conditions (including regulatory approvals), values Atlanta at £1.2 billion. Ardonagh will retain a minority interest in the new combined group.

The combined group, Atlanta and Markerstudy, will bring together highly complementary capabilities across pricing, underwriting and distribution and will deliver an enhanced proposition for millions of new and existing customers.

The Directors consider 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. In making the going concern assessment the Directors have taken into account the following:

- The Group's capital structure, operations and liquidity.
- Base case and stressed cash flow forecasts over the calendar years 2023 and 2024.
- The impact on the base case and stressed cashflow forecasts arising from subsequent material acquisitions.
- The principal risks facing the Group and its systems of risk management and internal control.
- Actual trading and cashflows of the Company and Group, including those of the group of companies previously owned by TAGL.

Key assumptions that the Directors have made in preparing the base case cash flow forecasts are that:

- The Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report.
- Client retention and renewal rates remain robust, despite the current economic uncertainty, as the 2023 trading performance continues to demonstrate resilience across the Group, including that of the group of companies previously owned by TAGL.
- Interest costs should be modelled using current forward interest rates and current FX rates (other than

## **Paymentshield Group Holdings Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

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

Key stress scenarios that the Directors have considered include cumulative stresses to the base plan as a result of:

- Shortfalls in base case projected income throughout 2023 and 2024.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- An inflationary cost increase of 2% over the base case assumptions.
- Mitigating actions within management control including delayed capital expenditure, a reduction in

The directors have also modelled reverse stress scenarios, including assessing those that result in a default on the Group's term debt facilities that would require a technical repayment obligation and those that would exhaust available liquidity. The stresses needed for these outcomes to happen significantly exceed the key stress scenarios above and the directors consider such conditions to be a remote possibility. Other mitigations which may be possible in the stress scenarios but have not been included in the analysis include seeking shareholder support, securitising premium receivables and further incremental and more prolonged cost reductions.

The directors continue to consider the wider operational and financial consequences and ramifications of global political and economic tensions (including related to the Ukrainian conflict, foreign exchange rates, inflation and increasing interest rates). In particular:

- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. The Group is highly diversified and not unduly exposed to a single carrier, customer or market sector.
- Although economic developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.
- As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes and applies appropriate controls including automated screening of clients against relevant sanctions lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.
- The Group continues to monitor the risk of cyberattacks, but the Group has not identified any significant cybersecurity risks during the period ended 31 December 2022.

Management note that on 15 September 2023 the Ardonagh Group and the Markerstudy Group agreed a merger between Markerstudy and the Atlanta Group, which includes the Company, that is likely to result in Atlanta being acquired within the 12 month going concern assessment period assuming the satisfaction of customary completion conditions (see note 16). There is currently limited information available over the future owners plans for the Company, however, synergies are expected in the companies that will be part of the combined Atlanta Group and Markerstudy Group which would enhance their future outlooks. As noted in note 16 the combined group, Atlanta and Markerstudy, will bring together highly complementary capabilities across pricing, underwriting and distribution and will deliver an enhanced proposition for millions of new and existing customers.

Following the assessment of the Company and Group's financial position and its ability to meet its obligations as and when they fall due, including the further potential financial implications of economic uncertainty included in stress tests and the Makerstudy merger, the directors have not identified any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

## **Paymentsshield Group Holdings Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

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

##### **Investment in subsidiaries**

A subsidiary is an entity over which the Company has control. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted for at cost less, where appropriate, impairment.

##### **Impairment of investments**

The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. The last annual impairment test was performed as at 31 December 2022.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment loss of £Nil (2021: £139.6m) is recognised in the Statement of Comprehensive Income.

##### *Calculation of recoverable amount*

An impairment test of an asset is performed by comparing its carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, where its value in use is the present value of its future cash flows. An impairment test requires the application of significant judgement because it relies on key assumptions, including forecast cash flows, a discount rate, a terminal growth rate and an EBITDA multiple.

##### **Financial liabilities**

Financial liabilities are initially measured at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables. Trade and other payables represent amounts due to other Group companies. They are initially recognised at fair value and are subsequently measured at amortised cost.

##### **Financial asset**

Financial assets are initially measured at fair value plus directly attributable transaction costs. The Company's financial assets include trade and other receivables.

Trade and other receivables represent amounts due from related parties. They are initially measured at fair value and subsequently measured at amortised cost.

##### *Impairment of trade and other receivables*

The Company recognises lifetime expected credit loss (ECL) for trade and other receivables.

##### **Share capital**

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

## **Paymentshield Group Holdings Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period.

There were no key sources of estimation uncertainty made in the preparation of these financial statements and no critical judgements that have a significant effect on the carrying amounts of assets and liabilities.

#### **4 Operating loss**

For the year ended 31 December 2022, the Company has taken the exemption under s479A of the Companies Act 2006 from the requirement to obtain an audit of their separate financial statements. The guarantee of the outstanding liabilities as at 31 December 2022 has been provided by Ardonagh Midco 2 plc, a fellow Group company. As a result, no audit fee has been incurred in the current year (2021: £Nil).

#### **5 Finance income**

	2022 £	2021 £
<b>Finance income</b>		
Other finance income	-	325,026,428

Other finance income represents dividends received from the Company's subsidiary, Paymentshield Holdings Limited.

#### **6 Staff costs**

The Company had no employees in the current year or the preceding period. All administration is performed by employees of the Group, for which no recharge is made to the Company.

#### **7 Directors' remuneration**

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors were directors of Ardonagh Group Holdings Limited and/or other fellow subsidiaries. Their total emoluments are included in the consolidated financial statements of Ardonagh Group Holdings Limited for the year ended 31 December 2022. The proportionate amount related to Paymentshield Group Holdings Limited is unreasonable to determine.

# **Paymentsshield Group Holdings Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

### **8 Income tax**

The Company's tax charge is the sum of the total current and deferred tax expense.

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
UK corporation tax	-	-
Adjustments in respect of prior periods	-	-
<b>Total current taxation</b>	-	-
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	-	-
Adjustments in respect of prior periods	-	-
Effect of tax rate change on opening balance	-	-
<b>Total deferred taxation</b>	-	-
<b>Tax charge/(credit) in the Statement of Comprehensive Income</b>	-	-

The following table reconciles the tax charge calculated at the UK statutory rate on the Company's profit before tax with the actual tax charge for the year.

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Profit before tax	-	185,454,574
Corporation tax at standard rate of 19% (2021: 19%)	-	35,236,369
Exempt ABGH distributions	-	(61,755,021)
Expenses not deductible for tax purposes	-	26,518,652
Movement in deferred tax not recognised	-	16
Remeasurement of deferred tax for changes in tax rates	-	(16)
<b>Income tax</b>	-	-

## Paymentshield Group Holdings Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 8 Income tax (continued)

##### Deferred tax

In the March 2021 Budget, it was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023. UK deferred tax balances as at 31 December 2022 are measured at the rate that the respective assets and liabilities will reverse.

The Company did not recognise deferred tax assets as follows. These deferred tax assets have not been recognised in these accounts as it is not expected that the Group's future profitability will be sufficient to utilise them.

	2022	2021
	£	£
Losses	66	66
<b>Unrecognised deferred tax assets</b>	<b>66</b>	<b>66</b>

#### 9 Investment in subsidiaries

	£
<b>Cost or valuation</b>	
At 1 January 2022	487,212,476
At 31 December 2022	487,212,476
<b>Provision for impairment</b>	
At 1 January 2022	187,200,308
At 31 December 2022	187,200,308
<b>Carrying amount</b>	
At 31 December 2022	300,012,168
At 31 December 2021	300,012,168

## Paymentshield Group Holdings Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 9 Investment in subsidiaries (continued)

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2022	2021
Paymentshield Holdings Limited*	Holding company	England Southport Business Park, Wight Moss Way, Southport, United Kingdom, PR8 4HQ	100%	100%
Paymentshield Limited*	Insurance Broking	England Southport Business Park, Wight Moss Way, Southport, United Kingdom, PR8 4HQ	100%	100%
Paymentshield Services Limited	Insurance Broking	England Southport Business Park, Wight Moss Way, Southport, United Kingdom, PR8 4HQ	100%	100%
Lunar 101 Limited	Dormant	England 2 Minster Court, Mincing Lane, London, United Kingdom, EC3R 7PD	100%	100%
Oak Affinity Consultancy Limited	Dormant	England 6th Floor, 9 Appold Street, London, United Kingdom, EC2A 2AP	100%	100%

\* indicates direct investment

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount. An impairment test was performed as at 31 December 2022 by comparing the investment's carrying amount with its recoverable amount, being the higher of its fair value less costs of disposal and its value in use, where its VIU is the present value of its future cash flows. No impairment of investments was required for 2022 (2021: £139.6m).

## Paymentshield Group Holdings Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 10 Trade and other receivables

	2022	2021
	£	£
Receivables from other Group companies	<u>66,603,431</u>	<u>66,603,431</u>

The directors believe that the intercompany receivables are recoverable. The balances are unsecured, interest free and repayable on demand.

#### 11 Trade and other payables

	2022	2021
	£	£
Amounts due to other Group companies	<u>111,393,686</u>	<u>111,393,686</u>

Amounts due to other Group companies are unsecured, interest free and payable on demand.

#### 12 Contingent liabilities

The company is a guarantor of the Ardonagh Group's borrowing facilities with certain of its assets subject to a fixed charge.

#### 13 Share capital

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

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>99,327,814</u>	<u>99,327,814</u>	<u>99,327,814</u>	<u>99,327,814</u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

#### 14 Related party transactions

The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or key management personnel.



## **Paymentshield Group Holdings Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **15 Parent and ultimate parent undertaking**

The Company's immediate parent company is Atlanta Investment Holdings 2 Limited and the ultimate parent company is Tara Topco Limited.

The Group's majority shareholder and ultimate controlling party at 31 December 2022 is Madison Dearborn Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2022 that consolidate the Company is Ardonagh Group Holdings Limited (incorporated in Great Britain, registered office address 2 Minster Court, Mincing Lane, London, EC3R 7PD). The parent company of the smallest group that prepares group financial statements at 31 December 2022 that consolidate the Company is Ardonagh Midco 2 plc (incorporated in Great Britain, registered office address 2 Minster Court, Mincing Lane, London, EC3R 7PD).

Financial statements for Ardonagh Group Holdings Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court  
Mincing Lane  
London  
EC3R 7PD

#### **16 Subsequent event**

On 15 September 2023, the Ardonagh Group and the Markerstudy Group agreed a merger between Markerstudy and Atlanta to create a major new player in the UK insurance market. The transaction, which is subject to customary conditions (including regulatory approvals), values Atlanta at £1.2 billion. Ardonagh will retain a minority interest in the new combined group.

The combined group, Atlanta and Markerstudy, will bring together highly complementary capabilities across pricing, underwriting and distribution and will deliver an enhanced proposition for millions of new and existing customers.