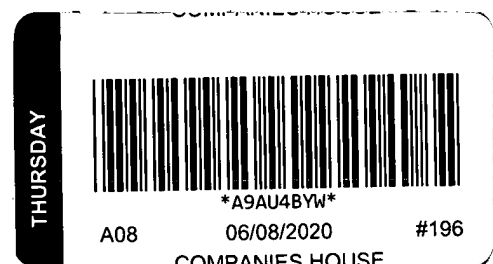


Registration number: 10112351

Paymentshield Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



Paymentshield Services Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	6
Independent Auditor's Report to the members of Paymentshield Services Limited	7 to 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 22

Paymentshield Services Limited

Company Information

Directors	R I Evans J Byrne
Registered office	2 Minster Court Mincing Lane London EC3R 7PD
Auditor	Deloitte LLP 1 City Square Leeds LS1 2AL
Company secretary	D Clarke

Paymentshield Services Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019 for Paymentshield 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 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 The Ardonagh Group Limited ("the Group").

Principal activities and business review

The principal activity of the Company is that of a service company providing insurance administration, however during the year the Company had no policies under its direct administration. The Company is a wholly owned subsidiary of Paymentshield Limited.

The results for the Company show turnover of £Nil (2018: £Nil) and profit before tax of £0.0m (2018: £Nil) for the year. At 31 December 2019 the Company had net assets of £6.7m (2018: £6.7m). 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.

Outlook

The Company is not actively trading and is not expected to trade in 2020 but has adequate net assets, as stated in 'Principal activities and business review' to fund its activities if this position changes and also to provide financial guarantees as discussed in note 12. In addition, financial support offered by the Group, as discussed in note 2 'Going concern' provides sufficient assurance as to the Company's ability to trade on a going concern basis for a period of at least twelve months from the date of approval of the financial statements.

The unprecedented and rapidly evolving nature of the global Covid-19 pandemic (including short-term and long term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Paymentshield Services Limited. Consideration of the financial risk and future impact can be found in the 'Going concern' disclosure in note 2.

Key performance indicators

The directors of The Ardonagh Group Limited manage the Group's operations on a segmental 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

The Company has a comprehensive strategy for the identification, mitigation and management of risk. A wide ranging assessment of business risks has been undertaken resulting in the compilation of a risk register. The risk register is subject to discussion at regular Group Risk Management Committee meetings and the Company's ongoing risk management ensures there is appropriate reporting from the business which will highlight changes in risk profile to the Group Risk Management Committee. The risks are managed and monitored to be within the agreed risk appetite. If a risk exceeds appetite, management actions will be put in place to bring it within appetite.

The principal risks and their mitigation are as follows:

Paymentsshield Services Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

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 Company and Group have considered the consequences and ramifications of the Covid-19 pandemic. Business Continuity Plans are in place across each of the operating segments, with measures to manage employee absences, access to the wider network of all offices, the efficiency and stability of the Company's infrastructure and the ability for home working for a significant portion of our employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and taking common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach on a daily basis in line with latest global developments and government guidance. Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. As a Group, Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.

The Company has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19 and closely monitors available liquidity on an ongoing basis.

General Data Protection Regulation

The Company's computer systems store information about our customers, some of which is sensitive personal data. Database privacy, identity theft and related computer and internet issues are matters of growing public concern and are subject to changes in rules and regulations. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or harm to our reputation. Although the Company has taken reasonable and appropriate security measures to prevent unauthorised access to information stored in our database and to ensure that our processing of personal data complies with the relevant data protection regulations, our technology may fail to adequately secure the private information the Company maintain in its databases and protect it from theft or inadvertent loss.

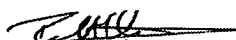
Future impact of Brexit

The Brexit decision may affect the ability of businesses to passport from the UK into other EU states and likewise into the UK from the EU. Following the 2019 general election, the Prime Minister has been clear that he is driven to deliver Brexit with a transition period ending on 31st December 2020.

We continue to believe that the direct impact on the Group will not be significant because it conducts only limited business within the EU and, importantly, because several additional mitigation strategies have been put in place during 2019 (i.e. gaining direct authorisation in certain EU member states) to reduce the risk. However, the loss of passporting rights may affect the insurance markets in which the Group operates, possibly reducing insurance capacity, competition and choice.

Brexit could also lead to a general decline in economic conditions in the UK where the Group operates predominantly. The diversified business portfolio of the Group continues to mitigate the risk of a general decline in economic conditions.

Approved by the Board on 20 July 2020 and signed on its behalf by:



R I Evans
Director

Paymentshield Services Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Directors of the company

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

D C Ross (resigned 13 November 2019)

A Erotocritou (resigned 1 August 2019)

D Cougill (appointed 1 August 2019 and resigned 13 November 2019)

R I Evans (appointed 13 November 2019)

J Byrne (appointed 13 November 2019)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2019 (2018: £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 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 (2018: £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. 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.

Subsequent events

Details of subsequent events can be found in the notes to the financial statements and within the 'Subsequent events' section on page 22.

Directors' liabilities

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.

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.

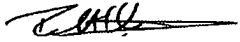
Reappointment of auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Paymentshield Services Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Approved by the Board on 20 July 2020 and signed on its behalf by:



.....
R I Evans
Director

Paymentshield 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 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has 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 responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Paymentshield Services Limited

Independent Auditor's Report to the members of Paymentshield Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Paymentshield Services Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Paymentshield Services Limited

Independent Auditor's Report to the members of Paymentshield Services Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Paymentshield Services Limited

Independent Auditor's Report to the members of Paymentshield Services Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's 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.



.....
Martin Watson ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

21 July 2020

Paymentsshield Services Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover		-	-
Operating result	4	-	-
Result before tax		-	-
Income tax (expense)/credit	7	(31)	31
Net (loss)/profit for the year		(31)	31

The above results arise from continuing operations. There were no items of other comprehensive income in the year and therefore no separate statement of comprehensive income is required.

Paymentsshield Services Limited

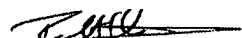
(Registration number: 10112351)

Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Current assets			
Trade and other receivables	8	34,235,586	34,230,599
Current tax assets		-	31
		<u>34,235,586</u>	<u>34,230,630</u>
Current liabilities			
Trade and other payables*	9	27,533,544	27,533,402
Tax liabilities		4,845	-
		<u>27,538,389</u>	<u>27,533,402</u>
Net current assets		<u>6,697,197</u>	<u>6,697,228</u>
Total assets less current liabilities		<u>6,697,197</u>	<u>6,697,228</u>
Net assets		<u>6,697,197</u>	<u>6,697,228</u>
Capital and reserves			
Share capital	10	39,760	39,760
Share premium reserve		5,731,898	5,731,898
Retained earnings		<u>925,539</u>	<u>925,570</u>
Total equity		<u>6,697,197</u>	<u>6,697,228</u>

*The Company reclassified a balance which was previously presented within Borrowings. The amount reclassified was £27,410,190 at 31 December 2018.

Approved by the Board on 20 July 2020 and signed on its behalf by:



R I Evans
Director

Paymentshield Services Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2019	39,760	5,731,898	925,570	6,697,228
Net loss for the year	-	-	(31)	(31)
At 31 December 2019	<u>39,760</u>	<u>5,731,898</u>	<u>925,539</u>	<u>6,697,197</u>

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2018	39,760	5,731,898	925,539	6,697,197
Net profit for the year	-	-	31	31
At 31 December 2018	<u>39,760</u>	<u>5,731,898</u>	<u>925,570</u>	<u>6,697,228</u>

Paymentshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Authorisation of financial statements

The Company is a private company limited by share capital, that is incorporated and registered in England, 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 2019 were authorised for issue by the Board on 20 July 2020 and the Statement of Financial Position was signed on the board's behalf by R I Evans.

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 FRS 101 'Reduced Disclosure Framework'.

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency. The financial statements have been prepared on a historical cost basis, as modified to use a different measurement basis where necessary to comply with FRS 101.

IFRS 16, several amendments to standards and an interpretation are mandatorily effective for annual periods beginning on 1 January 2019 or later. These new standards did not have a material impact on the Company.

The directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) and have treated this as a non-adjusting subsequent event in these financial statements, see note .

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:

Paymentshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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 paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant and equipment and intangible assets;
- 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;
- 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 IFRS 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 judgements and key sources of estimation uncertainty disclosure on page 17.

Going Concern

As stated in the Strategic Report, the Company is a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") is the ultimate parent company and the highest level at which results are consolidated.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2019 the Company had net assets of £6.7m (2018: £6.7m) and net current assets of £6.7m (2018: £6.7m). The net current assets include amounts receivable from related parties of £34.2m (2018: £34.2m), and amounts due to related parties of £27.5m (2018: £27.5m). The Company was one of a number of group companies who at 31 December 2019 guaranteed bank and bond debt owed by Ardonagh Midco 3 Plc, an intermediate holding company in the Group.

Paymentsshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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. In reaching their view on the preparation of the Company's financial statements on a going concern basis, the directors have considered the following:

- The current capital structure and liquidity of the Company and the Group, as well as the assessment that the Group continues to be a going concern.
- The Group manages its cash and funding requirements on a Group-wide basis.
- The source of funding of the Group includes £1.975 billion of debt in the form of \$500m (£400m) of Senior Unsecured Notes and £1.575 billion of private borrowings with maturity dates of 6 years. The guarantor obligations are joint and several obligations of all of the guarantors and this means that when there is a requirement to repay the borrowed funds, the lender may also call upon the guarantors as a whole, as well as each of them severally, to do so.
- The principal risks facing the Company and the Group, including the potential financial and operational impacts of covid-19, and its systems of risk management and internal control.
- The Group has assessed that it has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of COVID-19. The Group had available liquidity of £181.7m at 31 December 2019 and closely monitors available liquidity on an ongoing basis.
- The Group is largely insulated from currency FX volatility.
- The Group has access to a Revolving Credit Facility ("the Group's RCF"). The Group's RCF facility capacity is £191.5m which is undrawn.

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:

Key stress scenarios that TAGL considered as part of its 2019 Going Concern assessment include cumulative stresses to the Group's base plan of a net reduction in cashflow of over £100m in 2020 and further reductions in 2021. TAGL's 2019 Going Concern stress testing indicated that revenues would need to decline by up to 30% compared to base case in the 7 quarters from Q2 2020, offset by certain discretionary cost cuts and headcount reductions but assuming that the cost base does not reduce at the same speed as revenue to reach the Group's liquidity limits. The directors of TAGL considered these stress conditions to be a remote scenario.

Further details can be found in the 2019 Annual Report and Financial Statements of The Ardonagh Group Ltd, which is published on its website.

The directors of the Company have also considered the wider operational consequences and ramifications of the Covid-19 pandemic.

Paymentshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

- Business Continuity Plans are in place across the Company's offices, with measures to manage employee absences, access to other offices, the efficiency and stability of the Company's infrastructure and the ability for home working for a significant portion of the employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and taking common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach on a daily basis in line with latest global developments and government guidance.
- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns.

Following the assessment of the Company's ability to meet its obligations as and when they fall due and the Group's financial position and liquidity, including the potential financial implications of the Covid-19 pandemic included in Group stress tests, and the wider operational consequences and ramifications of the pandemic, the directors are not aware of any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

Taxation

Current tax

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The tax expense for the period comprises current and deferred tax. Income tax is recognised in Statement of Comprehensive Income, 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. Similarly, income tax is recognised directly to equity if it relates to items that are recognised directly to equity.

Financial assets

Financial assets are initially recognised at fair value. The Company's financial assets consist of trade and other receivables. Trade and other receivables represent amounts due from other Group companies and are classified and subsequently measured at amortised cost.

Financial liabilities

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

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.

Financial guarantees

Contracts meeting the definition of a financial guarantee are recognised at fair value under IFRS 9, or under IFRS 4 'Insurance Contracts' where the conditions required in order for it to be regarded as an insurance contract are satisfied. This is determined on a contract by contract basis, depending on whether the risk transferred represents a financial risk or an insurance risk.

Paymentshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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 year.

There have been no estimates or assumptions that have had a significant effect on the carrying amounts of assets and liabilities in the preparation of these financial statements.

4 Operating result

The audit fee of £4,120 (2018: £4,000) for the audit of this Company is paid by other Group entities, 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, The Ardonagh Group Limited.

5 Staff costs

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

6 Directors' remuneration

Directors' emoluments for services provided to the Company have been paid by other Group companies, for which no recharge is made to the Company. These directors are directors of The Ardonagh Group Limited and/or other fellow subsidiaries. Their total emoluments are included in the consolidated financial statements of The Ardonagh Group Limited or the financial statements of Paymentshield Limited.

7 Income tax

Tax (charged)/credited in the Statement of Comprehensive Income:

	2019 £	2018 £
Current taxation		
UK corporation tax adjustment to prior periods	<u>(31)</u>	<u>31</u>

The differences are reconciled below:

Paymentshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Income tax (continued)

	2019 £	2018 £
Profit/(loss) before tax	-	-
Corporation tax at standard rate of 19% (2018: 19%)	-	-
Tax adjustment in respect of prior years	(31)	31
Total tax (charge)/credit	(31)	31

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%.

8 Trade and other receivables

	2019 £	2018 £
Current trade and other receivables		
Receivables from other Group companies	34,235,586	34,230,599
	34,235,586	34,230,599

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

9 Trade and other payables

	2019 £	2018 £
Current trade and other payables		
Amounts due to other Group companies	27,533,544	27,533,402
	27,533,544	27,533,402

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

Paymentshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary of £0.01 each	<u>3,976,000</u>	<u>39,760</u>	<u>3,976,000</u>	<u>39,760</u>

11 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 or key management personnel.

Paymentshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Commitments

Guarantees

On 25 May 2017, Ardonagh Midco 3 plc, a newly incorporated intermediate holding company, entered into a £90.0m super senior revolving credit facility (RCF).

On 20 June 2017, Ardonagh Midco 3 plc issued £400.0m of 8.375% Senior Secured Notes and USD520.0m of 8.625% Senior Secured Notes. On 22 June 2017, the £425.0m Senior Secured Notes and £75.0m floating rate super Senior Secured Notes issued by Ardonagh Finco plc in April 2015 were redeemed.

On 20 December 2017, Ardonagh Midco 3 plc issued an additional £55.0m of 8.375% Senior Secured Notes which are fungible with the existing GBP Senior Secured Notes issued on 20 June 2017. On the same date the commitments under the RCF were increased to £105.0m.

On 18 June 2018, Ardonagh Midco 3 plc issued an additional £98.3m of 8.375% Senior Secured Notes which are fungible with the existing GBP Senior Secured Notes issued on 20 June 2017 and 20 December 2017.

On 26 September 2018, the Group's RCF was amended and restated to include an additional £50.0m facility made available solely to provide a Letter of Credit ancillary facility for the same amount. On 5 October 2018, a letter of credit of £50.0m was issued for the benefit of specified entities within the Group solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value products (ETV). With effect from 1 December 2019, the contractual limitation on the amount that may be utilised of the Group's RCF was removed. As at 31 December 2019, the RCF facility capacity was £120m and undrawn.

On 19 November 2018 USD235m additional 8.625% Senior Secured Notes were issued.

The obligations of Ardonagh Midco 3 plc under the Notes, RCF, and the subsequently issued 8.375% and 8.625% notes, are guaranteed and secured by Ardonagh Midco 2 plc, the immediate parent company of Ardonagh Midco 3 plc, and all its material and certain other subsidiaries. These subsidiaries are listed below:

Ardonagh Midco 3 plc (RCF Guarantor only)	Ardonagh Midco 2 plc
Nevada Investment Holdings 5 Limited	Morgan Law Limited
Nevada Investment Holdings 6 Limited	Paymentshield Group Holdings Limited
Nevada Investment Holdings 7 Limited	Paymentshield Holdings Limited
Nevada Investments TopCo Limited	Paymentshield Limited
Nevada Investments Holdings Limited	Paymentshield Services Limited
Nevada InvestorCo Limited	Ardonagh Finco Plc
Nevada Investments 1 Limited	Ardonagh Services Limited
Nevada Investments 2 Limited	Towergate Risk Solutions Limited
Nevada Investments 3 Limited	Towergate Underwriting Group Limited
Nevada Investments 4 Limited	PFIH Limited
Nevada Investments 5 Limited	Price Forbes & Partners Limited

Paymentshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Commitments (continued)

Nevada Investments 6 Limited	Price Forbes Holdings Limited
Nevada Investments 7 Limited	URIS Group Limited
Arista Insurance Limited	Millennium Insurance Brokers Limited
Broker Network Holdings Limited	URIS Central Administration Limited
CCV Risk Solutions Limited	URIS Topco Limited
Cullum Capital Ventures Limited	Chase Templeton Group Limited
Four Counties Insurance Brokers Limited	Chase Templeton Holdings Limited
Geo Specialty Group Holdings Limited	Chase Templeton Limited
Geo Underwriting Services Limited	Ardonagh Advisory Holdings Limited
Lunar 101 Limited	Ardonagh Specialty Holdings Limited
Bishopsgate Insurance Brokers Limited	Atlanta Investment Holdings Limited
Swinton Group Limited	Atlanta Investment Holdings A Limited
Swinton (Holdings) Limited	Atlanta 1 Insurance Services Limited
Swinton Properties Limited	Carole Nash Insurance Consultants Limited
KDB Medicals Limited	Health and Protection Solutions Limited

13 Parent and ultimate parent undertaking

The Group's majority shareholder and ultimate controlling party at 31 December 2019 is HPS Investment Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2019 that consolidate the Company is The Ardonagh Group Limited (incorporated in Jersey, registered office address 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG). The parent company of the smallest group that prepares group financial statements at 31 December 2019 that consolidate the Company is Ardonagh Midco 3 plc (Incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

Paymentshield Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Subsequent events

The directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) and have treated this as a non-adjusting subsequent event in these financial statements. The Covid-19 pandemic is an evolving situation and as such, the legal and global economic impact is currently unknown but as the Company is not actively trading, the impact is not expected to be material. For further consideration of the estimated financial impact of the pandemic to the Group, see note 2 Basis of preparation.

On 14 July 2020, the Group completed the refinancing of existing debt, issuing \$500m senior unsecured notes and borrowing a senior secured term loan facility of £1,575m (equivalent). As part of the refinancing, the existing Ardonagh Notes have been redeemed, the existing Ardonagh Revolving Credit Facility has been repaid and cancelled and the existing Ardonagh security has been released. The refinancing has been utilised, in part, to fund the acquisition of Nevada 4 Midco 1 Limited (holding company of Bravo Investments Holdings Limited), Nevada 5 Topco Limited (holding company of Arachas Topco Limited) and Bennetts Motorcycling Services Limited.

Under the terms of the new financing arrangements, the Company ceased to act a guarantor for bank and bond debt owed by Ardonagh Midco 3 Plc with effect from 14 July 2020.