

Registration number: 10112351

Paymentshield Services Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2021

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Paymentshield Services Limited

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Paymentshield Services Limited

Company Information

Directors	R I Evans J Byrne
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	Southport Business Park Wight Moss Way Southport PR8 4HQ United Kingdom

Paymentshield Services Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021 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 (2020: £Nil) and loss before tax of £10 (2020: £Nil) for the year. At 31 December 2021 the Company had net assets of £6.7m (2020: £6.7m). The going concern note (part of accounting policies) on page 10 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 2022 but has adequate net assets, as stated in 'Principal activities and business review' to fund its activities if this position changes. 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 nature of the Covid-19 pandemic and the interruption to business operations creates uncertainties for most companies. However, insurance broking is a resilient and defensive market and the Ardonagh Group is highly diversified, mitigating the impact felt by the Company and Group. Further consideration of the impact of Covid-19 can be found in the principal risks and uncertainties section of the strategic report.

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.

Paymentshield Services Limited

Strategic Report for the Year Ended 31 December 2021 (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 Company and Group have demonstrated their resilience from an economic shock and operational and financial resilience in response to the ongoing Covid-19 pandemic. The Company and Group have 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 £767.1m at 31 December 2021 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.

Approved by the Board on 27 May 2022 and signed on its behalf by:



J Byrne
Director

Paymentshield Services Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their annual report and the unaudited financial statements for the year ended 31 December 2021.

Directors of the company

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

R I Evans

J Byrne

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2021 (2020: £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 (2020: £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 16.

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 27 May 2022 and signed on its behalf by:



J Byrne
Director

Paymentshield Services Limited

Statement of Directors' Responsibilities

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; 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

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover		-	-
Administrative expenses	4	(10)	-
Operating loss	4	(10)	-
Loss before tax		(10)	-
Income tax (charge)/credit	7	-	-
Loss for the year		(10)	-

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

Paymentsshield Services Limited
(Registration number: 10112351)
Statement of Financial Position as at 31 December 2021

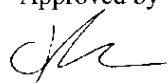
	Note	2021 £	2020 £
Current assets			
Trade and other receivables	8	6,702,032	34,235,586
Current liabilities			
Trade and other payables	9	-	(27,533,544)
Tax liabilities		(4,845)	(4,845)
		<u>(4,845)</u>	<u>(27,538,389)</u>
Net current assets		<u>6,697,187</u>	<u>6,697,197</u>
Total assets less current liabilities		<u>6,697,187</u>	<u>6,697,197</u>
Net assets		<u>6,697,187</u>	<u>6,697,197</u>
Capital and reserves			
Share capital	10	39,760	39,760
Share premium		5,731,898	5,731,898
Retained earnings		<u>925,529</u>	<u>925,539</u>
Total equity		<u>6,697,187</u>	<u>6,697,197</u>

For the financial year ending 31 December 2021 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 ^{27 May 2022}..... and signed on its behalf by:



J Byrne
Director

The notes on pages 9 to 16 form an integral part of these financial statements.

Paymentshield Services Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2021	39,760	5,731,898	925,539	6,697,197
Net loss for the year	-	-	(10)	(10)
At 31 December 2021	<u>39,760</u>	<u>5,731,898</u>	<u>925,529</u>	<u>6,697,187</u>

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2020	39,760	5,731,898	925,539	6,697,197
Net result for the year	-	-	-	-
At 31 December 2020	<u>39,760</u>	<u>5,731,898</u>	<u>925,539</u>	<u>6,697,197</u>

The notes on pages 9 to 16 form an integral part of these financial statements.

Paymentsshield Services Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021

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 period ended 31 December 2021 were authorised by the Board on and the statement of financial position was signed on the Board's behalf by J Byrne.

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.

There are no new standards, amendments to standards or interpretations which are effective in 2021 or not yet effective and that are expected to materially impact the Company's financial statements.

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 ("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:

- 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;

Paymentshield Services Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

- 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.
- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement; and

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 judgements and key sources of estimation uncertainty disclosure on page 13.

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 2021 the Company had net assets of £6.7m (2020: £6.7m) and net current assets of £6.7m (2020: £6.7m). The net current assets include amounts receivable from related parties of £6.7m (2020: £34.2m), and amounts due to related parties of £Nil (2020: £27.5m).

The Directors consider the going concern basis to be appropriate following their assessment of the Group'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:

Paymentshield Services Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

- The Group's capital structure, operations and liquidity following the 14 July 2020 issuance of new borrowings; £343.0m received for the 350,000 preference shares issued on 3 September 2021; and the additional 19 August 2021 Capex, Acquisition and Re-organisation facility (CAR upside) of circa £565.2m agreed with the lenders of the Group's privately placed term loan facility due 2026, of which £164.3m remains undrawn at the date of this report. These are reflected in the adjusted base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- The impact on the base case cashflow forecasts arising from material acquisitions since the finalisation of the Group's base case budget.
- The principal risks facing the Group, including global political tensions, (including related to the Ukrainian conflict) and potential lingering financial impacts of Covid-19 following lockdown restrictions being removed in the UK, and its systems of risk management and internal control.
- Actual trading and cashflows that arose in the two months ended February 2022, with continued positive financial results.

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

- Following the 14 July 2020 issuance of new borrowings, which the Group used to repay its existing borrowings and to fund acquisitions: (a) the Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report, and (b) payment-in-kind interest options are utilised.
- Client retention and renewal rates continue to be robust, despite the current economic uncertainty, as the 2021 trading performance continues to demonstrate resilience across the Group.

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 2022 and 2023.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.

The Directors have also modelled reverse stress scenarios, including assessing those that result in a default on our 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.

Paymentshield Services Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

The Directors continue to consider the wider operational consequences and ramifications of global political tensions, (including related to the Ukrainian conflict) and the Covid-19 pandemic. In particular:

- The Group has demonstrated the efficiency and stability of the Group's infrastructure and the ability for home working for a significant portion of our employee base.
- 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 materially exposed to a single carrier, customer or market sector.
- Although Covid-19 developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.

Following the assessment of the 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 wider operational consequences and ramifications of the pandemic, the Directors are not aware of any material uncertainties that cast significant doubt on the Group'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 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.

The Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date.

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.

Paymentshield Services Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (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 loss

For the year ended 31 December 2021, the Company has taken the exemption under s479 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 2021 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 (2020: £Nil).

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 financial statements of Paymentshield Limited.

Paymentshield Services Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

7 Income tax

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

	2021 £	2020 £
Current taxation		
UK corporation tax	-	-
Adjustments in respect of prior periods	-	-
Total current taxation	-	-
Deferred taxation		
Origination and reversal of temporary differences	-	-
Adjustment in respect of prior periods	-	-
Effect of tax rate change on opening balances	-	-
Total deferred taxation	-	-
Tax charge/(credit) in the Income Statement	-	-

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.

	2021 £	2020 £
Profit/(Loss) before tax	(10)	-
Corporation tax at standard rate of 19% (2020: 19%)	(2)	-
Expenses not deductible for tax purposes	2	-
Total tax charge/(credit)	-	-

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.

Paymentshield Services Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

8 Trade and other receivables

	2021 £	2020 £
Current trade and other receivables		
Receivables from other Group companies	6,702,032	34,235,586
	<u>6,702,032</u>	<u>34,235,586</u>

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

9 Trade and other payables

	2021 £	2020 £
Current trade and other payables		
Amounts due to other Group companies	-	27,533,544
	<u>-</u>	<u>27,533,544</u>

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

10 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	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>

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.

11 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 Services Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

12 Parent and ultimate parent undertaking

The Group's majority shareholder and ultimate controlling party at 31 December 2021 is HPS Investment Partners LLC. The immediate parent company is Paymentshield Limited. The ultimate parent company and company of the largest group that prepares group financial statements at 31 December 2021 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 2021 that consolidate the Company is Ardonagh Midco 2 plc (Incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

13 Subsequent events

The Company performed a review of events subsequent to the statement of financial position date through to the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.