American Express Payment Services Limited

Registered number 06301718

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

American Express Payment Services Limited

Report and Financial Statements for the year ended 31 December 2021

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American Express Payment Services Limited

Officers & Advisors

DIRECTORS

D Edelman - Chair
D Bailey - Chief Financial Officer
U Arif
A Holmes
K McDonald
L Moseley
V Raynaud
S Shomstein

COMPANY SECRETARY

G Gill

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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BANKERS

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LEAD REGULATOR

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76 Buckingham Palace Road
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SW1W 9AX

Directors’ Report for the year ended 31 December 2021

The Directors present their Directors’ Report and the audited financial statements of American Express Payment Services Limited (“the Company” or “AEPSL”) for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is registered in England and Wales, domiciled in the United Kingdom and is part of the American Express Group of companies (“the Group”). The Company's immediate parent is American Express International Inc. and the Company’s ultimate parent and controlling entity is American Express Company, both incorporated in the United States of America.

The principal activity of the Company is the provision of merchant acquirer services. The Company also provides services to other companies within the American Express Group.

The Company transferred its passport reliant merchant acquiring operations (“Business Transfer”) to its wholly owned Spanish subsidiary, American Express Payments Europe S.L. (“AEPE”) back in 2019. At the reporting date the Company's branches that no longer perform any business activities and have no other requirement to remain open have been, or are in the process of being, deregistered. The Germany branch will continue to service employee related obligations which are not reliant on passporting.

Supervision and Regulation

The Company is licensed by the Financial Conduct Authority (“FCA”) as an authorised payment institution under the Payment Services Regulations 2017. The Company uses this license to perform regulated payment services in the UK. The Company is also authorised by the FCA to conduct Payment Initiation Services (PIS) and Account Initiation Services (AIS). The Company uses its PIS license to offer Pay with Bank Transfer services. As a result of the Business Transfer on 1st March 2019, the Company no longer performs regulated payment services outside of the UK, with these services now being performed by a wholly owned subsidiary in Spain, AEPE.

The financial services industry in the UK, including the Company, is subject to rigorous scrutiny, high regulatory expectations, and a range of regulations. In addition to the FCA, the Company's activities are subject to regulation and supervision by the Payment Systems Regulator (PSR) and the Information Commissioner's Office (ICO). Regulators have focused, and we believe will continue to focus, considerable attention on reviewing compliance by financial services firms with laws and regulations, and as a result, we continually work to evolve and improve our risk management framework, governance structures, practices and procedures. Reviews to assess compliance with laws and regulations by regulators, as well as our own internal reviews, have resulted in, and may continue to result in, changes to our products, practices and procedures and increased costs related to regulatory oversight, supervision and examination.

Key regulations and developments:

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

The PSD2 makes revisions to the original Payment Services Directive adopted in 2007 (PSD) and prescribes common rules across the EU for licensing and supervision of payment service providers. It also contains regulatory requirements on strong customer authentication, open access to customer data and payment capabilities, and measures to prevent security incidents. Member States had until 13th January 2018 to transpose the PSD2 into national law. AEPSL and the Group have taken steps to comply with the legislation including the strong customer authentication requirements which required full compliance by March 2022.

Directors' Report for the year ended 31 December 2021 (Continued)

Governance

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

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

- The Audit and Finance Committee; and
- The Operational Risk Committee

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

The Operational Risk Committee (ORC) supports the Board by giving oversight to the key operational risks identified for the Company. The ORC has oversight of significant operational and compliance changes and issues arising within the Company. The ORC is also responsible for ensuring that clear, effective and compliant processes are in place for managing third party and affiliate outsourcing arrangements. The ORC meets in advance of every Board meeting in order to consider items and/or risks which should be raised for the Board's consideration.

As an authorised payment institution, the Company is required to maintain capital levels which exceed a prescribed level of minimum capital, as required by the Payment Services Regulations 2017. The Company currently has an FCA minimum capital requirement of £9.0m. Capital monitoring processes are in place to ensure the Company exceeds the minimum capital requirements at all times.

Disclosures on future strategies and risk management are included within the Strategic Report.

RESULTS AND DIVIDENDS

The results for the full year are set out on page 24 and show the loss before taxation for the year ended 31 December 2021 was £7m (2020 loss: £48m). The loss after taxation for the financial year was £3m (2020 loss: £37m) and has been transferred to reserves. The Directors do not propose the payment of a dividend (2020: £nil). Total Shareholders' Funds at 31 December 2021 stood at £144m (2020: £147m). The Financial Performance section of the Strategic Report gives a more detailed review of the Company's performance indicators.

OPERATIONS OUTSIDE THE UK

The Company has a wholly owned subsidiary in Spain, American Express Payments Europe S.L. and branches in Germany and Italy.

As a result of the Business Transfer, the Company has deregistered its branches in Austria, France, Netherlands, Spain and Sweden, and is in the process of deregistering its branch in Italy. The branch in Germany will continue to service employee related obligations.

Directors' Report for the year ended 31 December 2021 (Continued)

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks. An overview of these risks and how they are managed by the Company is included in the Financial Risk Management section of the Strategic Report.

FUTURE DEVELOPMENTS

In line with Group strategy, the Company is focused on maintaining growth in an uncertain economic, political and regulatory environment, whilst managing costs and upholding service quality. The Strategic Report includes an Outlook, Principal Risks and Uncertainties section which considers how future developments may impact the Company.

DIRECTORS

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

D Edelman	Chairman
D Bailey	Chief Financial Officer
A Holmes	
U Arif	
K McDonald	
L Moseley	
V Raynaud	
S Shomstein	(appointed 14 March, 2022)
T Platt	(resigned 14 December, 2021)

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

EMPLOYEE ENGAGEMENT STATEMENT

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

At American Express, our colleagues are constantly redefining what's possible and we're proud to back each other every step of the way. American Express provides a meaningful career journey, an inclusive and diverse workplace where every voice is valued, learning experiences to allow our colleagues to deliver their best, and holistic well-being support for every stage of their lives and careers. We are proud of our long history of building a diverse, equitable and inclusive culture that embraces differences and reflects the values we hold true.

In 2021, American Express was once again voted one of the Top 10 Employers in the UK by Working Families, the UK's leading work-life balance organisation. American Express was also voted one of the Top 25 employers in the UK in the Glassdoor Best Places to Work list in 2021.

Directors' Report for the year ended 31 December 2021 (Continued)

EMPLOYEE ENGAGEMENT STATEMENT (Continued)

As the Covid-19 pandemic continued into its second year, American Express has continued the powerful backing of our colleagues. First, American Express continued to put colleagues' safety first and extended guidance to allow colleagues who could work from home, to do so. To enable colleagues to effectively work from home, the company has invested in providing computer peripherals to all who request them. We have also provided colleagues with paid time off to receive their COVID-19 vaccinations and booster shots.

2021 also saw the introduction of Amex Flex – the new way of working for American Express. The new Amex Flex model will have three basic work designations – hybrid, onsite, and fully virtual. Most colleagues will be hybrid and typically required to come into the office only two days per week, defined by their business unit. While introduced in 2021, it will come into effect when colleagues return to the office in the UK during 2022. We continue to take a principled approach to re-opening our offices in line with government guidelines, with the safety of our employees our priority at all times.

Finally, American Express has continued to reward and recognise the performance and dedication of its colleagues throughout the pandemic. The majority of colleagues received a 3% pay rise in November and additionally the year end merit pools were doubled, and their effective date brought forward.

The company strives to provide an inclusive and accessible work environment – one where everyone, including colleagues, candidates, and all those who work on behalf of American Express, are treated equally, with dignity and respect. We are working diligently towards our goal to become a leader in disability inclusion, developing inclusive practices, and removing barriers so all colleagues can fully contribute and succeed at work. The Company has a dedicated Workplace Adjustments team and obtains additional advice, assessment, and provision through a specialist external provider. The Company has a well-established Disability Awareness Network (DAN) open to all employees across the organisation, which plays an important role in driving our disability agenda and continues to invite external experts to bring widespread attention to the issues that impact the community. The Group has also established a strategic and multi-functional Disability Council which uses the Business Disability Forum's Disability Standard to ensure the Group continues to work towards becoming a disability-confident organisation. Furthermore, the Group has an active Inclusion & Diversity Council that partners with over thirteen Colleague Networks to enable inclusion and diversity.

In 2021 two new required trainings were added - Managing Unconscious Bias and Building Ally Skills workshops. These supplemented the additional required trainings added in 2020 - Strengthening Our Culture of Inclusion, an online course for all colleagues, and Belonging at American Express, a workshop for all people eaders on how to lead inclusively. There has been steady participation growth in the Self-ID initiative which was launched globally in major office locations, including the UK in 2020.

The purpose of Self-ID is to help enhance programs and resources, inform diversity strategies, and continue to meet Diversity, Equity and Inclusion (DE&I) commitments. Colleagues are invited to voluntarily and confidentially self-identify across four key categories, including gender identity, sexual orientation, ethnicity, and disability status.

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

Directors' Report for the year ended 31 December 2021 (Continued)

EMPLOYEE ENGAGEMENT STATEMENT (Continued)

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

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

The Company aims to achieve a balance between delivering market competitive remuneration in order to attract and retain talent; and optimising shareholder return. Eligible employees participate in the American Express Company Equity-settled share-based payment plans. Eligibility is based on seniority and the awards are performance driven. A description of the plans and performance measure is available in the American Express Company's financial statements. See Note 4 for a summary description of the plans and the awards granted and outstanding during the year.

STAKEHOLDER ENGAGEMENT STATEMENT

The Board recognises that the fostering of good business relationships is crucial to the long-term success of the Company and Group as a whole. To this end, the Company has implemented an escalation framework (via the Committees) so that issues impacting the business and/or key stakeholders (including, but not limited to, the Company's suppliers and customers) are escalated to the Board for its consideration. This helps ensure that the Board has visibility of issues impacting our key stakeholders and that such issues are dealt with and resolved in an effective, timely and appropriate manner.

In addition, American Express has a number of policies in place which require that, prior to the Board taking decisions deemed critical to the Company, the impact on a wide group of stakeholders be identified and considered. This better enables the Board to make informed decisions while acting in the best interests of the Company and its key stakeholders.

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

The Company's principal decisions during the financial year ended 31 December 2021 were centered around the Company's response to COVID-19 and recovery out of the pandemic. During the year, the Board spent a significant amount of time and resources reviewing and mitigating the associated impacts of COVID-19 in order to provide additional support to the Company's key stakeholders. The Company continued to address the issues being faced by merchants and other stakeholders by adjusting certain policies, including working with merchants to ensure that they were not put under any unnecessary financial pressure during this period. In addition, the Company also worked closely with its suppliers to address operational difficulties and challenges faced as a result of COVID-19.

Directors' Report for the year ended 31 December 2021 (Continued)

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

As part of our Company's commitment to comply with all relevant environmental legislation, this section of our Director's Report discloses our operational energy consumption and carbon footprint in line with the UK government's SECR initiative, including data from this and the previous year (January to December; 2020 and 2021).

Climate change represents one of the greatest challenges facing our planet, and at American Express we are committed to supporting the transition to a low-carbon economy to meet the science-based recommendations of the Intergovernmental Panel on Climate Change (IPCC). In 2018, we became a CarbonNeutral® company and began powering our operations with 100% renewable electricity through on-site solar, renewable energy credits, carbon offsets and reduced greenhouse gas (GHG) emissions. We are committed to maintaining these efforts moving forward.

Methodology

American Express emissions are calculated in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach and cover the emissions we are responsible for across scopes 1, 2 and 3:

- Scope 1 – Direct emissions from mobile fleet vehicles*, stationary combustion of fuels in buildings, and fugitive HFC emissions from air conditioning systems
- Scope 2 – Indirect emissions from purchased electricity
- Scope 3 – Other indirect emissions from business travel in employee-owned vehicles *

The operation of internal data centers, office facilities, mobile fleet vehicles and business travel are our main sources of GHG emissions. Data is gathered on an ongoing basis, with primary evidence being sourced from office managers and managed centrally via the GHG Emissions Reporting Operating Procedure.

In order to better reflect the environmental benefit of purchasing renewable energy and in line with the GHG Protocol Scope 2 Guidance, we quantify and report two Scope 2 emissions totals from purchased electricity: using both 'market-based' and 'location-based' methods. Market-based emissions consider the contractual arrangements under which we procure power from specific sources such as renewable energy. Location-based emissions consider the average emission factors for the electricity grids that provide electricity to American Express. To estimate GHG emissions associated with the fugitive release of hydrofluorocarbon (HFC) gases from space cooling in our buildings, refrigerant charge for each facility is estimated based on the square footage of air-conditioned space, using rules of thumb for cooling capacity required per square foot and refrigerant charge per cooling capacity. To estimate emissions, the total refrigerant charge is multiplied by annual leakage rates from the US EPA. It is conservatively assumed that estimated facilities use the refrigerant HFC-134a.

The primary metric that American Express use for normalising emissions for annual comparison is tCO2e per employees.

* For global reporting, we quantify energy consumption (and therefore GHG emissions) from the vehicle fleet based on the number of vehicles in operation. Specifically, each vehicle in operation is conservatively assumed to travel 15,000 miles per year regardless of actual miles driven. Then, the assumed fuel economy of the vehicle fleet is used to quantify fuel consumption and scope 1 emissions (conversion factors sourced from the US EPA Emissions Factor Hub). For SECR reporting, we quantify energy consumption (and therefore GHG emissions) from the UK vehicle fleet based on actual mile reports for each UK entity. Emissions and fuel economy conversions are sourced from UK DEFRA GHG Conversion Factors 2021 updated on 24 Jan 2022. For reporting purposes, we assume all cars to be average type with unknown fuel.

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

UK Annual Energy and Carbon

Due to the nature of our business, in some instances multiple reporting entities occupy the same office space and so are jointly responsible for energy consumed in that particular space. For SECR purposes, American Express have estimated entity-specific UK energy consumption and GHG emissions based on the proportion of each entity's employee headcount within that space. The following tables summarise the entity-specific energy consumption and subsequent emissions.

As part of our public disclosure, the American Express ESG Report includes a detailed section summarising our global energy consumption and global GHG inventory. The following link provides access to our latest ESG Report: https://about.americanexpress.com/corporate-responsibility/reports/corporate-responsibility-reports/default.aspx

As shown below (Table 1 and 2), there was an increase in both total energy and emissions (marked-based) compared to the previous year, however a decrease was recorded in location-based emissions due to lower emission conversion rates. The intensity ratio has shown an increase in both types of emissions as shown in Table 3 due to headcount decreases.

Table 1:Annual Energy Consumption

Energy	Unit	2021	2020
Natural Gas	kWh	471,320	385,327
Fuel Oil	kWh	461	4,127
Mobile Fuel	kWh	—	1,072
Total Direct Energy Consumption	**kWh**	**471,781**	**390,526**
Purchased electricity	kWh	1,035,452	1,004,239
Solar	kWh	1,735	1,521
Total Intermediate Energy Consumption	**kWh**	**1,037,187**	**1,005,760**
Transport	**kWh**	**20,821**	**37,507**
Total	**kWh**	**1,529,789**	**1,433,793**

Table 2: Annual tCO2e emissions

Greenhouse Gas (GHG) Emissions	Unit	2021	2020
Scope 1 – Direct	tCO2e	106.34	89.22
Scope 2 (Location) – Indirect	tCO2e	219.86	234.13
Scope 2 (Market) – Indirect	tCO2e	—	—
Scope 3: Category 6 – Business Travel	tCO2e	5.12	15.17
Total (Location)	**tCO2e**	**331.32**	**338.52**
Total (Market)	**tCO2e**	**111.46**	**104.39**

Table 3: tCO2e vs normalisation metric

Intensity Ratio	Unit	2021	2020
Market-based	tCO2e/employees	0.2049	0.1752
Location-based	tCO2e/employees	0.6090	0.5680

Directors' Report for the year ended 31 December 2021 (Continued)

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

Efficiency Measures

American Express' Global 2025 Environmental Goals include covering 60% of our operations by Green Building certifications, reducing energy usage by 35% (from a 2011 baseline), continuing to power our operations with 100% renewables and remaining carbon neutral across our operations. American Express has maintained its CarbonNeutral certification through reducing emissions by investing in internal energy efficiency measures, supporting the production of renewable energy and financing projects to offset emissions.

To help achieve our target of reducing absolute energy consumption, we are making a conscious effort to increase energy efficiency. We have evaluated several cost-effective energy efficiency measures across our portfolio. Some examples of measures identified from recent audits include:

Table 4: Energy Efficient Projects

Location	Project name	Savings (kWh)	Savings (£)	Cost (£)	Status	Payback
1 John Street	Monitors Replacement	60,762	8,507	430,000	Implemented	>10 Year
36 Mighell St	Data centre monitoring and cooling optimisation	665,760	93,206	62,000	Implemented	<1 Year
1 John Street	Choosing HVO fuel for generators fuel change project	—	667	2,791	Implemented	3-5 Year
36 Mighell St	Choosing HVO fuel for generators fuel change project	—	334	1,208	Implemented	3-5 Year
Sussex House	Choosing HVO fuel for generators fuel change project	—	147	550	Implemented	3-5 Year
Belgrave House	LED Lights in toilets on L1	1,019	143	243	Implemented	1-3 Year
Belgrave House	Belgrave House 7 boilers replacement within toilet areas	11,498	1,610	9,100	Implemented	5-10 Year
Belgrave House	Refurbishment	128,127	17,938	1,000,000	Implementation started in 2021	>10 Year
Belgrave House	UPS Replacement	78,299	10,962	50,000	Implementation started in 2021	3-5 Year
36 Mighell St	UPS Rooms monitoring and cooling optimisation	201,480	28,207	15,000	Implementation started in 2021	<1 Year

Directors’ Report for the year ended 31 December 2021 (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors’ Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

In the case of each Director in office at the date the Directors’ Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company’s auditors are unaware; and
- they have taken all the 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 auditors are aware of that information.

CREDITOR PAYMENT POLICY

It is Company policy to pay vendors 60 days after receipt of a correct, undisputed, timely provided and properly due VAT invoice unless specific payment terms dictate otherwise. The Company has a range of payment tool options that can allow suppliers to be paid faster than the standard 60 days. The Company's average creditor period for 2021 was 30 days (2020: 21 days).

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made no donations to advance the causes of charitable organisations (2020: £nil), as all charitable contributions are made by American Express Corporate Social Responsibility on behalf of the Group. No donations were made by the Company for political purposes (2020: £nil).

Directors' Report for the year ended 31 December 2021 (Continued)

INDEPENDENT AUDITORS

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

The financial statements on pages 24 to 56 were approved by the Board of Directors on 5 July 2022 and signed on its behalf by:

DocuSigned by:	DocuSigned by:
Daniel Edelman	David Bailey
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D Edelman	D Bailey
Chairman	Chief Financial Officer
5 July 2022	

Strategic Report for the year ended 31 December 2021

The Directors present their Strategic Report of American Express Payment Services Limited ("the Company") for the year ended 31 December 2021.

BUSINESS REVIEW

Objectives of the Company
The key objective of the Company is to generate business through its core activity of merchant acquiring services.

Business Strategy
Integral to this objective are activities to maintain and enhance existing merchant relationships, established through card acceptance agreements, and to expand the number of locations at which the American Express card is accepted. The Company continually seeks to improve the quality of service and value delivered to merchants.

The core elements of the Company's strategy are:

- Acquiring new merchants for the acceptance of American Express card transactions;
- Continuing to monitor the performance of our merchant acquirer offering against key competitors;
- Building and maintaining relationships with merchant acquirers, aggregators and processors to manage aspects of our merchant business.
- Maintaining and enhancing the relationship with entities that issue cards on the American Express network, to drive increased usage of the American Express card at the Company's acquired merchants;
- Attracting and retaining talented employees; and
- Focusing on increasing payment service revenues, whilst controlling costs and improving efficiency.

The Company continues to invest to strengthen its data management, business insights and marketing capabilities. In addition, the Company offers a Pay with Bank transfer service, allowing consumers to pay for purchases made online directly from their bank account. These developments enhance the broad range of premium value services delivered to merchants and are under-pinned by our core competence in advanced payment services continuing the strategy of providing a premium service experience and operational excellence.

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

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

FINANCIAL PERFORMANCE

A number of performance indicators are used to monitor the Company's progress against our strategies and objectives. As part of the monitoring of the Company's financial performance, we review turnover, profitability, business volumes by industry sector, and key balance sheet metrics including capital adequacy. In addition, further financial indicators including merchant credit risk and average discount rates as well as further non-financial indicators including disputes and complaints are monitored and reviewed.

Strategic Report for the year ended 31 December 2021 (Continued)

FINANCIAL PERFORMANCE (Continued)

The Company saw an increase in business volumes. Total reported business volumes, upon which discount revenue (turnover) is earned, for the year to 31 December 2021 increased by 24% on the year to 31 December 2020, due to recovery from the adverse impacts of the COVID-19 pandemic seen in the prior year. Turnover, net of customer rebates, for the year ended 31 December 2021 correspondingly increased by 22% compared to the prior year, reflecting the increase in business volumes offset by a lower average discount rate. The Company saw an increase in entrepreneurial and strategic service fee revenue, which is linked to the profitability of AEPE's merchant acquiring business. During 2021 the Company continued to invest in marketing and promotional activities and merchant acquisition programs to increase coverage, support merchant engagement and drive future growth. Regulatory capital at 31 December 2021 stood at £95m (2020: £96m), against a regulatory minimum of £9m.

The results for the full year are set out on page 24 and show that despite the increase in volumes year on year this improvement was not sufficient to prevent the Company recording a loss before taxation for the year ended 31 December 2021 of £7m (2020 loss: £48m). The loss after taxation for the financial year was £3m (2020 loss: £37m) and has been transferred to reserves. The reduction in pre-tax loss in 2021 has been driven by the aforementioned increase in Turnover and a reduction in the rate payable by the Company to American Express Travel Related Services Company, Inc. ("TRSCo") for the provision of American Express network payment services with effect from 1st January 2021.

Accounts Payable for amounts due to the Company's merchants at 31 December 2021 stood at £530m (2020: £372m). The increase is driven by higher volumes as a result of the the easing of COVID-19 restrictions.

The net asset position of the Company at 31 December 2021 was £144m (2020: £147m).

FINANCIAL RISK MANAGEMENT

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

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

Institutional Credit Risk

The Company defines institutional credit risk as the risk of loss to the Company due to the non-payment of an amount contractually owed to the Company by a business or organisation. Institutional credit risk arises within the Company's merchant business, when the Company has a receivable from a merchant as a result of credit transactions, disputes, or discount revenue being settled on a gross basis. Institutional credit risk is affected by both general economic conditions and by merchant specific events.

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

The Company is supported by a dedicated risk management team and enterprise wide Chief Credit Officers. These officers are guided by the Institutional Risk Management Committee (IMRC), which is responsible for implementation and enforcement of the Institutional Credit Risk Management Policy and for providing guidance to the credit officers of each business unit with substantial institutional credit risk exposures. The IMRC, along with the business unit Chief Credit Officers, makes investment decisions in core risk capabilities, ensures proper implementation of the underwriting standards and contractual rights for risk mitigation, monitors risk exposures, and determines risk mitigation actions.

Strategic Report for the year ended 31 December 2021 (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Institutional Credit Risk (Continued)
The IMRC formally reviews large institutional risk exposures to ensure compliance with ERM guidelines and procedures and escalates them to the ERM Committee as appropriate. At the same time, the IMRC provides guidance to the business unit risk management teams to optimise risk-adjusted returns on capital. A centralised risk rating unit provides risk assessment of institutional obligors.

Exposure to the Airline and Travel Industry
The Company has multiple card acceptance arrangements with airlines. The ERM program evaluates the risks posed by our airline partners and the overall airline strategy across the Group through comprehensive business analysis of global airlines, and the travel industry more broadly, including cruise lines, travel agencies, and tour operators. The Company is exposed to credit risk in these industries where payment has been remitted to the merchant for a card member purchase of tickets, but they have not yet been used or "flown".

To mitigate this risk, the Company includes protective actions within its card acceptance agreements, which include modifying the merchant's speed of pay and permitting a reserve to be created upon the occurrence of certain trigger events.

The Company has a reserve of £3m (2020 £17m) related to merchant receivable exposures as of 31 December, 2021. The COVID-19 pandemic contributed to an increased risk of card member reimbursements for goods or services purchased from merchants that cease operations or are unable to ultimately provide them, but this has now returned to a more normal level. To date, the Company has not experienced any significant losses. Merchant receivable positions continue to be monitored closely and protective actions will be taken wherever possible.

The Group operates a funding arrangement under which amounts owed by group undertakings are cash settled on a monthly basis, with any resulting cash surplus being loaned to affiliate entities through short-term interest-bearing loans. As a result of the strong credit position and ongoing support provided by the Group, the level of credit risk attached to intercompany positions is limited.

Funding and Liquidity Risk
Funding and liquidity risk is defined as the inability of the Company to meet its ongoing financial and business obligations as they become due at a reasonable cost.

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

The Group manages funding and liquidity risk by maintaining access to a diverse set of cash, readily-marketable securities and contingent sources of liquidity, such that each American Express operating company can continuously meet its business requirements and expected future finance obligations for at least a 12 month period, even in the event it is unable to raise new funds under its regular funding programs. The Group balances the trade-offs between maintaining too much liquidity, which can be costly and limit financial flexibility, and having inadequate liquidity, which may result in financial distress during a liquidity event.

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

Strategic Report for the year ended 31 December 2021 (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Funding and Liquidity Risk (Continued)
In accordance with Group funding arrangements, cash is loaned by the Company to other Group entities through short-term loan arrangements. In accordance with the Primary Acquiring Operating Agreement, TRSCo will remit to AEPSL the amount due for charges incurred by cards issued on the American Express network, on the day on which AEPSL is due to make payment for those charges to the merchant. Accordingly, through this contractual relationship with TRSCo and the ongoing support of the Group, sufficient liquidity exists to pay merchants and settle other liabilities as they fall due.

A letter has been secured from American Express Company confirming its intention to provide sufficient support to maintain the Company's safe and sound operations for a period of thirteen months from the date of signing the financial statements.

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

As an authorised payment institution, the Company is required to maintain capital levels which exceed a prescribed level of minimum capital, as required by the Payment Services Regulations 2017. The Company currently has an FCA minimum capital requirement of £9m, against capital resources of £95m at 31 December 2021. Capital monitoring processes are in place to ensure the Company exceeds the FCA minimum capital requirements at all times and, should additional capital be needed, it would be infused by the parent entity as confirmed by the previously referenced letter of support.

The Company’s capital is managed to ensure adherence to its minimum capital requirement as a payment institution, in addition to ensuring that it will be able to support its business objectives and continue as a going concern. The capital structure of the Company consists of the borrowings disclosed in Note 16 and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity and Note 18.

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

- Interest rate risk driven by changes in the relationship between the interest rates on the Company’s assets and the interest rates on the Company’s liabilities; and
- Foreign exchange risk arising from earnings, funding, transactions and investments in currencies other than the functional currency.

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

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

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

Strategic Report for the year ended 31 December 2021 (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Market Risk (Continued)

(i) Interest Rate Risk (Continued)
Due to uncertainty surrounding the suitability of the London interbank offered rate (LIBOR) as a credible benchmark rate (as a consequence of IBOR reform), it is being phased out and will be replaced by alternative reference rates by June 2023. The Group has an enterprise-wide, cross-functional initiative to identify, assess and monitor risks associated with the LIBOR transition, engage with industry participants, customers and regulators and to transition to new alternative reference rates. As part of this global initiative, the Company has worked to ensure that contract, operational processes, information technology systems and models have been updated to replace references to LIBOR and facilitate a timely transition to alternative rates. All rates were updated effective 1 January 2022.

For further details on amendments to the associated accounting standards, please refer to the basis of preparation section of Note 2 - Summary of significant accounting policies.

For details on the exposures impacted, please refer to Note 6 - Interest Receivable and Interest Income.

(ii) Foreign Currency Risk
Foreign exchange exposures arise due to cross-currency transactions and balances from our funding activities, cross-currency investing activities, such as in the equity of foreign subsidiaries, and revenues generated and expenses incurred in foreign currencies, which impact earnings.

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

The Company is not ultimately exposed to any transactional foreign exchange gains or losses as they are borne by a related Group entity. The Company's branches remit their profits (if any) to the UK parent on a monthly basis. As a result, there is no foreign exchange sensitivity from translation of European branches into the functional currency

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

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

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

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

Strategic Report for the year ended 31 December 2021 (Continued)

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

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

The following paragraphs summarise how the Directors fulfil their duties:

1. Risk management
The Company provides services to its customers in a highly regulated environment. As the Company grows, its business and risk environment become more complex. It is therefore vital that the Board effectively identify, evaluate, manage and mitigate the risks faced by the Company, and that their approach to risk management is continually evolving. For details of the Company's principal risks and uncertainties, and how the Board and wider governance structure manages the Company's risk environment, please refer to the Governance and Financial Risk Management sections of the Directors' and Strategic Reports respectively.

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

During the year, this framework and risk management approach was utilised in the context of COVID-19 whereby the Board was regularly briefed on the key operational, financial and regulatory risks associated with the ongoing pandemic. In particular, the Board continued to closely monitor the risks to the Company's employees, merchants and business partners. Consequently, the Board took steps to mitigate these risks and provide support to the aforementioned groups through ongoing facilitation of employees working from home, alongside developing plans for a return to the office when it was safe to do so (including the development of the Amex Flex model) and adjusting certain policies to ensure merchants were not put under any unnecessary pressure during this period.

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

During the year, the Board received regular updates on the steps that were being taken to ensure the safety of the Company's employees in light of the COVID-19 pandemic, including measures to provide a safe work environment in each of our offices and enabling our employees to work from home wherever possible. This has included providing computer peripherals to all who requested them when working from home and providing colleagues with paid time off to receive their COVID-19 vaccinations and booster shots. In order to mitigate the associated risks and keep employees sufficiently informed and reassured throughout this period of uncertainty, the Board ensured that appropriate actions were taken by the relevant departments (e.g. HR, Global Real Estate, Global Security and Global Services Group).

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

Strategic Report for the year ended 31 December 2021 (Continued)

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

3. Business relationships

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

The Directors believe that delivering products and services in a fair and transparent manner is critical to providing best-in-class customer service. As part of its fundamental commitment, the Company is dedicated to engaging in customer practices that embody transparency, truthfulness, fairness, and a culture of non-discrimination.

The Company manages and mitigates customer practices risk through dedicated resources and ongoing monitoring, testing, and oversight. This also applies to third-party vendors and their subcontractors, also known as fourth-party vendors.

Since the outbreak of COVID-19, the Board ensured that steps were taken to proactively engage with our business partners and suppliers to mitigate identified risks. For further details on business relationships and the actions the Board took during 2021 in this regard, please refer to the Stakeholder Engagement Statement within the Directors' Report

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

4. Community and environment

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

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

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

Although there were no significant events during the year in relation to the community or the environment that warranted escalation to the Board or specific consideration by the Company rather than the Group, if such an event were to arise it would be escalated to the Board through the Company's existing risk management and governance framework. For further details concerning the environment please refer to the 'Streamlined Energy and Carbon Reporting' section within the Directors' Report.

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

5. Shareholders

The Company is a wholly owned subsidiary within the American Express group, whose ultimate parent is listed on the New York Stock Exchange. The Board of American Express Company is committed to openly engaging with its shareholders, as it recognises the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. It is important to American Express that shareholders understand our strategy and objectives, so these must be explained clearly, feedback received, and any issues or questions raised properly considered. The Board of AEPSL ensures that it applies consistent shareholder priorities. To this end, the Board regularly reviews its business strategy to ensure the steps being taken in this regard align with shareholder priorities and that said strategies maximise shareholder return. The Company's immediate parent, American Express International Inc. ("AEII"), is represented on the Board by the Company's Chief Financial Officer who is also a Director of AEII.

OUTLOOK, PRINCIPAL RISKS AND UNCERTAINTIES

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

AEPSL's market positioning and broad range of premium value services will enable it to continue to drive its strategy in the short term and be well placed to develop even stronger merchant relationships and take advantage of growth opportunities into the future. The Directors are confident, based on the continuing support of the Group, that the Company can maintain a sufficient capital position and adequate liquidity to meet all liabilities as they fall due.

The average merchant discount rate charged by the Company continues to be indirectly impacted by regulatory pressures affecting competitor pricing, with further erosion in the average discount rate experienced as merchant acceptance is increased.

The organisational changes implemented by the Company in 2019 mitigate the financial, trade and legal risks of Brexit and ensure business continuity. The operating model implemented as part of these changes includes revenue from services to other Group companies which has some variability linked to the performance of AEPE's merchant acquiring business. The future underlying performance of its subsidiary AEPE will therefore continue to have some impact on the future profitability of the Company.

The COVID-19 pandemic has had widespread, rapidly evolving and unpredictable impacts on society, the economy, and consumer and business spending. As a result of the continuing roll out of vaccinations and the relaxation of containment rules and travel restrictions, consumer confidence appears to be increasing and the Company is seeing a return to normal operating conditions and customer behaviour in respect of travel, dining and in-person events.

The Company offers a broad range of services to merchants who supply consumers, small businesses and commercial clients and thus is dependent upon the level of consumer and business activity. Factors such as consumer spending and confidence, inflation, interest rates, energy costs, household income, unemployment rates and geopolitical instability all affect the economic environment and, ultimately, the Company's profitability. The Company is monitoring the impact of the current high levels of inflation on consumer and business activity.

The current Russia-Ukraine conflict has led to the suspension of all American Express operations in Russia. American Express issued cards will no longer operate at merchants and ATMs in Russia, and cards issued locally in Russia by Russian banks will not operate outside the country on the American Express global network. American Express has also suspended all business operations in Belarus. Based on the current assessment completed by management, the Company has minimal exposure to Russia, however the situation will continue to be monitored.

Strategic Report for the year ended 31 December 2021 (Continued)

OUTLOOK, PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Despite the above risks and uncertainties, after making enquiries and giving consideration to the Group's intention to provide ongoing support to the Company (as evidenced by the letter of support issued by American Express Company), as well as the integral nature of the Company's operations to the broader Group, the Directors have a reasonable expectation that the Company has adequate capital resources and sufficient available liquidity to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

The Strategic Report was reviewed by the Board of Directors on 5 July 2022 and approved on the date specified on its behalf by:

DocuSigned by: Daniel Edelman 7F319C78BBA9498...	DocuSigned by: David Bailey EBCDF257355E4BD...
D Edelman	D Bailey
Chairman	Chief Financial Officer

Date: 5 July 2022

Independent auditors' report to the members of American Express Payment Services Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements for the year ended 31 December 2021 (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Income Statement, the Statement of Comprehensive Income; the Statement of Changes in' Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority, the Payment Services Regulations 2017 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management and those charged with governance, including review of minutes of meetings in so far as they related to the financial statements and consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Review of correspondence with the regulators
- Identifying and testing journal entries, including duplicate journal postings, and backdated journals
- Challenging the assumptions and judgements made by management in their accounting estimates
- Testing of the financial statement disclosures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 July 2022

American Express Payment Services Limited

INCOME STATEMENT
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
TURNOVER	3	**631,795**	513,766
Cost of sales		**(535,577)**	(445,428)
GROSS PROFIT		**96,218**	68,338
Administrative expenses	4,8	**(105,503)**	(117,061)
OPERATING LOSS		**(9,285)**	(48,723)
Interest receivable and similar income	6	**2,146**	1,233
Interest payable and similar expenses	7	**(3)**	(76)
LOSS BEFORE TAXATION	8	**(7,142)**	(47,566)
Tax on loss	9	**3,862**	10,789
LOSS FOR THE FINANCIAL YEAR		**(3,280)**	(36,777)

The Notes on pages 28 to 56 form an integral part of the financial statements.

American Express Payment Services Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021	2020
	£'000	£'000
Loss for the financial year	**(3,280)**	(36,777)
Total comprehensive loss for the year	**(3,280)**	(36,777)

The Notes on pages 28 to 56 form an integral part of the financial statements.

BALANCE SHEET
As at 31 December 2021
Registered number: 06301718

	Note	2021 £'000	2020 £'000
FIXED ASSETS			
Tangible assets	10	**—**	1
Investments	11	**53,526**	53,526
		53,526	53,527
CURRENT ASSETS			
Debtors	14	**897,523**	561,874
Cash at bank and in hand	15	**18,931**	119,861
Deferred tax asset	9	**8,898**	10,851
		925,352	692,586
CREDITORS: Amounts falling due within one year	16	**(834,718)**	(599,205)
NET CURRENT ASSETS		**90,634**	93,381
TOTAL ASSETS LESS CURRENT LIABILITIES		**144,160**	146,908
PROVISION FOR LIABILITIES	17	**(372)**	—
NET ASSETS		**143,788**	146,908
CAPITAL AND RESERVES			
Called up share capital	18	**13,150**	13,150
Share-based payment reserve		**1,945**	1,785
Translation reserve		**7,795**	7,795
Retained earnings		**120,898**	124,178
TOTAL SHAREHOLDERS' FUNDS		**143,788**	146,908

The Notes on pages 28 to 56 form an integral part of the financial statements.

The financial statements on pages 24 to 56 were approved by the Board of Directors on 5 July 2022 and signed on its behalf by:

DocuSigned by:
Daniel Edelman
7E819C78BBA9498...
D Edelman
Chairman
July 5, 2022

DocuSigned by:
David Bailey
5BCDF257355E4BD...
D Bailey
Chief Financial Officer

American Express Payment Services Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
Registered number: 06301718

	Called up share capital £000	Share-based payment reserve £000	Translation reserve £000	Retained earnings £000	Total Shareholders' Funds £000
At 1 January 2021	13,150	1,785	7,795	124,178	146,908
Loss for the financial year	—	—	—	(3,280)	(3,280)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	(3,280)	(3,280)
Current and deferred tax movements in equity (Note 9)	—	228	—	—	228
Share based payments charge	—	1,467	—	—	1,467
Recharge paid to parent for share based payments	—	(1,535)	—	—	(1,535)
At 31 December 2021	**13,150**	**1,945**	**7,795**	**120,898**	**143,788**

	Called up share capital £000	Share-based payment reserve £000	Translation reserve £000	Retained earnings £000	Total Shareholders' Funds £000
At 1 January 2020	13,150	1,705	7,795	160,955	183,605
Loss for the financial year	—	—	—	(36,777)	(36,777)
Other comprehensive loss for the year	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	(36,777)	(36,777)
Current and deferred tax movements in equity (Note 9)	—	78	—	—	78
Share based payments charge	—	1,208	—	—	1,208
Recharge paid to parent for share based payments	—	(1,206)	—	—	(1,206)
At 31 December 2020	**13,150**	**1,785**	**7,795**	**124,178**	**146,908**

The Notes on pages 28 to 56 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. AUTHORIZATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of American Express Payment Services Limited (the "Company" or "AEPSL") for the year ended 31 December 2021 were reviewed by the Board of Directors on 5 July 2022 and approved on the Board's behalf by D Edelman and D Bailey.

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

The Company is able to take advantage of certain disclosure exemptions available under FRS 101 as it is a wholly owned subsidiary of American Express Company.

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

The Company is a private company limited by shares, registered in England and Wales and domiciled in the United Kingdom. The Company's immediate parent is American Express International Inc., incorporated in the United States of America, which is the parent undertaking of the smallest group in which the Company's results are consolidated. The ultimate parent and controlling entity is American Express Company, incorporated in the United States of America, which is the parent undertaking of the largest group in which the Company's results are consolidated. Copies of the American Express International Inc. and American Express Company financial statements can be obtained from American Express Company, American Express Tower, World Financial Center, New York, NY 10285, USA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

The financial statements are prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101. The financial statements are prepared on a going concern basis under the historical cost convention, modified by the revaluation of certain financial instruments and derivatives to fair value through profit and loss. The Board remain satisfied with the appropriateness of preparing the financial statements on a going concern basis, considering the Group's intention to provide ongoing support to the Company as well as the integral nature of the Company's operations to the broader group. The functional currency is pounds sterling (£) and the financial statements are presented in pounds sterling with values rounded to the nearest thousand (£'000) unless otherwise stated.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.23.

The Company has taken advantage of the following disclosure exemptions allowed under FRS101:
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1. Basis of preparation (Continued)

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii),B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations provided that equivalent disclosure are included in the consolidated financial statements of the group in which the entity is consolidated;
- the requirements of paragraph 52 of IFRS 16 Leases;
- the requirements of IFRS 7 ‘Financial Instruments: Disclosures’ provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- the requirements of IFRS 13 ‘Fair Value Measurement’ paragraphs 91-99, provided that equivalent disclosures are included in the financial statements of the group in which the entity is consolidated;
- the requirements of IAS 1 ‘Presentation of Financial Statements’ paragraph 38 to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
(iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);

- the requirements of the following paragraphs of IAS 1 ‘Presentation of Financial Statements’:
  - 10(d) *statement of cash flows;*
  - 10(f) *balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements;*
  - 16 *statement of compliance with all IFRS;*
  - 38(a) *requirement for minimum of two primary statements, including cash flow statements;*
  - 38(b)-(d) *additional comparative information*;
  - 111 *cash flow statement information; and*
  - *134-136 capital management disclosures.*
- the requirements of IAS 7 ‘Statement of Cash Flows’ to prepare a statement of cash flows;
- the requirements of IAS 8 ‘Accounting Policies Changes in Accounting Estimates and Errors’ paragraphs 30 and 31, concerning new IFRS that have been issued but are not yet effective;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a) 114, 115, 118,119(a) to (c), 120 to 127 and 129 of IFRS 15‘Revenue from Contracts with Customers’;
- the requirements of IAS 24 ‘Related Party Disclosures’ paragraphs 17 and 18 to disclose the compensation of key management personnel; and
- the requirements of IAS 24 ‘Related Party Disclosures’ to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(a) Standards and Interpretations effective in 2021

The Company has adopted the following standards and amendments to standards with an initial date of application of 1 January 2021.

- **Amendments to IFRS 16, Leases, Covid-19-related Rent concessions**
  Effective for annual periods beginning on or after 1 June 2020 (early adoption permitted). The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1. Basis of preparation (Continued)

(a) Standards and Interpretations effective in 2021 (Continued)

- **Amedments to IFRS 16, Leases, Covid-19-related Rent concessions (Continued)**
  As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. This amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications, this results in accounting for the concessions as variable lease payments in the period in which they are granted. This amendment has not significantly affected the Company's financial statements in the current period or is expected to impact future periods.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (IBOR) Phase 2**
  Effective for annual periods beginning on or after 1 January 2021
  Phase 2 amendments follow on from the amendments issued in September 2019 (Phase 1) that were effective 1 January 2020. Phase 2 provides the following additional reliefs: 1) When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), where these are necessary changes as a direct consequence of IBOR reform and which are considered economically equivalent, relief is provided so that the change will not result in an immediate gain or loss in the income statement; and 2) Hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

  This amendment has not significantly affected the Company's financial statements in the current period or is expected to impact future periods.

(b) Standards and amendments early adopted by the Company

No new or amended standards and interpretations were adopted early by the Company.

2.2. Foreign currency translation

a) Functional and presentational currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated into the functional currency based on exchange rates prevailing at the end of the year; non-monetary assets and liabilities are translated at the historic exchange rate at the date of the transaction. The resulting exchange gains and losses are borne by a related Group entity.

c) Foreign Branches

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

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rate; and
- resulting exchange differences are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3. Disposal groups held for sale

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

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

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

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

2.4. Tangible assets

Tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses which are recognised within Administrative Expenses. Costs include expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

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

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

The estimated useful lives of each class of assets are:

Furniture and Fittings - over 3 to 8 years

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

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

2.5. Investments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6. Impairment of non-financial assets

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

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

2.7. Financial assets

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

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

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

Management determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is generally irrevocable.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrower.

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

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

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

The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if in doing so it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets cannot be transferred into or out of this category after inception except under very specific circumstances, whereby they are recognised initially at fair value, with transaction costs taken directly to the income statement. Financial assets at fair value through profit and loss are subsequently measured at fair value.

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price in an active market wherever possible. Where no such active market exists for the particular asset, the Company uses valuation techniques to arrive at the fair value. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. Commonly used techniques include the use of prices obtained in recent arms-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rates. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them to support the conclusion that such valuations meet the requirements of FRS 101, including the level in the fair value hierarchy in which such valuations should be classified. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Profits or losses are only recognised on initial recognition when such profits can be measured solely by reference to observable current market transactions or valuation techniques based solely on observable market inputs.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of the instruments. The fair value of other financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Assets in this category are classified as current assets if they are expected to be realised within 12 months after the balance sheet date. If the Company's management intends to realise the assets 12 months or more after the balance sheet date, they are classified as non-current.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are borne by a related group entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

(b) Financial assets at amortised cost

Financial assets at amortised cost are financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

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

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Financial assets at amortised cost as disclosed in the balance sheet include the following categories:

2.7.1. Loans due from Group Undertakings

Loans due from Group Undertakings represents unsecured loans extended by the Company to other group companies. Interest is computed on actual daily principal outstanding during the preceding monthly period and is paid either monthly or annually. Expected credit losses are not material given the nature of the lending and the strong credit position of the Group.

2.7.2. Trade and other debtors

(i) Amounts owed by group undertakings
Amounts owed by group undertakings represent amounts recoverable for services within the American Express Group. Expected credit losses are not material given the typically short-term nature of these balances and the strong credit position of the Group.

(ii) Trade debtors
Trade debtors relate to regular trade receivables due to the Company in the normal course of business. Trade debtor balances are presented on the balance sheet net of reserves for expected credit losses.

2.8. Impairment of financial assets

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

(a) Trade debtors
Given the short-term nature of trade and other debtors the loss allowance is determined by the lifetime expected credit losses. Forward looking information that indicates the debtor will experience financial difficulties, enter bankruptcy or financial reorganisation, default or become delinquent is incorporated in the determination of the loss allowance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8. Impairment of financial assets (Continued)

(b) Loans due from and amount owed by Group undertakings

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

2.9. Offsetting financial instruments

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

2.10. Derecognition of financial instruments, including receivables

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

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

2.11. Derivative financial instruments

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

The fair value of the Company's derivative financial instruments is determined using either market quotes or valuation models that are based upon the net present value of estimated future cash flows and incorporate current market data inputs. The Company reports its derivative assets and liabilities on a net by counterparty basis where management has the legal right of offset under enforceable netting arrangements and intends to settle on a net basis or to realise the asset and settle the liability simultaneously. Fair value is determined in the manner described in Note 12.

Derivatives not designated as hedges

The Company has derivatives that act as economic hedges but are not designated as such for hedge accounting purposes. Foreign currency transactions from time to time may be partially or fully economically hedged through foreign currency contracts, primarily foreign exchange forwards. These hedges generally mature within one year. Foreign currency contracts involve the purchase and sale of designated currencies at an agreed upon rate for settlement on a specified date.

The changes in the fair value of derivatives that are not designated as hedges are intended to offset the related foreign exchange gains or losses of the underlying foreign currency exposures. The changes in fair value for derivatives that are not designated as hedges are borne by a related Group entity.

The foreign exchange gains/losses on hedging instruments in relation to non-consolidated subsidiaries are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Cash at bank and in hand

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 90 days or less, and bank overdrafts. Bank overdrafts are shown as bank loans and overdrafts within creditors falling due within one year on the balance sheet.

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

2.13. Financial liabilities

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

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

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

(b) Other financial liabilities

Other financial liabilities are initially measured at fair value, generally their cash equivalents, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest method, with interest expense recognised in the income statement on an effective yield basis. Other financial liabilities are classified bank loans and overdrafts, amounts owed to group undertakings. trade creditors, other creditors and accruals in the balance sheet.

2.14. Borrowings

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

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

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

2.15. Current and deferred tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15. Current and deferred tax (Continued)

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

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

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

Current and deferred tax charges and credits are recognised in the income statement, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

2.16. Employee benefits

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

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

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

(c) Pension obligations
American Express Company provides pension arrangements for employees through defined benefit plans and defined contribution schemes in the UK and Germany.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16. Employee benefits (Continued)

(d) Share based compensation plans

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

The fair value of options granted is determined using the Black-Scholes-Merton option pricing model. Restricted Stock awards that do not include the Relative Total Shareholder Return (R-TSR) modifier are valued using American Express Company's stock price on the date of grant and the performance-based Restricted Stock Awards that include the R-TSR modifier are valued using a Monte Carlo valuation model.

The R-TSR modifier is a specific performance condition that defines total shareholder return as the stock price appreciation over the performance period in comparison to American Express' peers and is a determining factor in the final shares issued to an employee. As options and awards on American Express Company shares are granted by the ultimate parent company to the employees of the Company, those awards are accounted for in equity. The Company has an obligation to repay the ultimate parent company for the share-based payments, and that repayment is offset against equity to the extent that it has been paid or is payable to the ultimate parent company.

Portfolio Grants are primarily cash-settled, however since the Company does not have an obligation to settle the award it is recorded as an equity transaction. An expense is recognised in the Company's income statement over the vesting period; and a credit is recognised in equity. These awards earn value based on American Express Company's financial performance, market and service conditions, and vest over a period of three years.

2.17. Provisions and contingent liabilities

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

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

Contingent liabilities are disclosed where there is a present obligation that arises from past events but are not recognised because the amount of the obligation cannot be measured reliably, or where there is a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

2.18. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19. Revenue recognition

Revenue comprises income arising in the course of the Company's ordinary activities, net of value added and other taxes, rebates and discounts. The Company recognises revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognised as follows:

- Discount Revenue: Discount revenue primarily represents the amount the Company earns on transactions occurring at merchants that have entered into card acceptance agreements with the Company, for facilitating transactions between the merchants and card members. The amount of fees charged, or merchant discount, varies with, among other factors, the industry in which the merchant conducts business, the merchant's overall transaction volume, the timing and method of payment to the merchant, the method of submission of transactions and, in certain instances, the geographic scope of the card acceptance agreement signed with American Express (e.g., local or global) and the transaction amount. The merchant discount is generally deducted from the payment to the merchant and recorded as discount revenue at the time the card member transaction occurs.

  The card acceptance agreements, which outline the agreed-upon terms for charging the merchant discount fee, vary in duration. Contracts with small and medium-sized merchants generally have no fixed contractual duration, while those with large merchants are generally for fixed periods, which typically range from three to seven years in duration. Fixed period agreements may include auto-renewal features, which may allow the existing terms to continue beyond the stated expiration date until a new agreement is reached.

  The Company satisfies its obligations under these agreements over the contract term, often on a daily basis, through the processing of card member transactions and the availability of our payment network. When a cardmember returns goods, it will generate a credit transaction with the merchant, but the merchant discount amount is generally retained by the Company.

- Other Merchant Services: The Company earns other revenue from merchants for services which include marketing and administration. Revenue in respect of these services is recognised by the Company in the period in which the services were performed.

- Entrepreneurial and Strategic Services: The Company provides entrepreneurial and strategic support to grow and develop the American Express merchant business in Europe, which is calculated using a combination of inputs including subsidiary targeted arm's length profit margins. This variable consideration is recognised as revenue throughout the year to the extent reversal is considered highly unlikely and is aligned to actual results at the end of the reporting period.

- Other Services to Group Companies: The Company earns revenue when it performs a service on behalf of another related Group entity. The Company charges the related Group entity on an arm's length basis, with revenue being recognised in the period in which the service is provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20. Interest receivable and interest payable

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Interest expense includes interest incurred on the Company's long term and short-term borrowings which are required to fund general purposes and liquidity needs.

2.21. Leases

The Company recognises right-of-use assets and lease liabilities for operating leases with terms greater than twelve months. The Company's policy is not to separate lease and non-lease components when measuring the real estate right-of-use assets and lease liabilities.

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

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

2.22. Business combinations, acquisitions and disposals

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23. Critical accounting estimates, assumptions, and judgements

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

(a) Critical accounting estimates

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

(b) Critical judgements in applying accounting policies

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

Defined benefit pension scheme
Certain employees participate in defined benefit pension schemes with several participating employers sharing the risks between entities under common control. The plans do not have a stated policy for sharing net defined benefit cost or for determining the contributions to be paid by each participating legal entity for these schemes. None of the participating legal entities have been assessed as being sponsoring employers of the plans. In the judgment of the directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore, the scheme is accounted for as a defined contribution scheme, see Note 20 for further details.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

3. TURNOVER

	2021	2020
	£'000	£'000
Merchant discount revenue net of merchant rebates	**580,638**	475,668
Other merchant services	**22,115**	20,649
Entrepreneurial and strategic services	**22,600**	13,935
Other services to American Express Group companies	**6,442**	3,514
	631,795	513,766

All turnover for the financial year originated within the UK.

4. STAFF COSTS

	2021	2020
	£'000	£'000
Wages and salaries	**34,952**	31,747
Social security costs	**5,071**	5,180
Other pension costs	**4,373**	4,138
Stock compensation expense	**1,467**	1,208
	45,863	42,273

Included within Staff Costs is an amount of £1m (2020: £0.1m) related to restructuring expense.

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

	2021	**2020**
	Number	Number
Sales and marketing	**296**	284
Customer servicing	**284**	276
Other support groups	**20**	30
	600	590

Equity-settled share-based payments

Equity-settled share-based payments under the 2016 Compensation Plan and previously under the 2007 Incentive Compensation Plan (the “Plans”) offered by the ultimate parent holding company, American Express Company, may be granted to officers and other key individuals who perform services for the Company. These awards may be in the form of Stock Options, Restricted Stock Awards (“RSA's”) and Units ("RSU's"), Portfolio Grants (“PGs”) and other similar awards.

4. STAFF COSTS (Continued)

Details of the stock plans are set out below:

(a) Stock Options

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

Stock options outstanding at 31 December 2021 were Nil (2020: Nil). No stock options were exercised during 2021 (2020: 6,000 stock options were exercised at a weighted average price of USD 65.43).

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

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

RSA's/RSU's containing only service conditions generally vest 25 percent per year beginning with the first anniversary of the grant date. RSA's containing both service and performance conditions generally vest on the third anniversary of the grant date, and the number of shares depends on the achievement of predetermined metrics. Beginning in 2019, the R-TSR modifier was added to the performance-based RSA's/RSU's, so that American Express Company's actual shareholder return relative to a competitive peer group is one of the performance conditions that determines the number of shares ultimately granted upon vesting.

The fair value of RSA's//RSU's that do not include the R-TSR modifier is determined using American Express Company’s stock price on the date of grant. The fair value of performance-based RSA's/RSU's that include the R-TSR modifier is determined using a Monte Carlo valuation model. All RSA/RSU holders receive non-forfeitable dividends or dividend equivalents. As of 31 December 2021, the total outstanding RSA's/RSU's are expected to vest over a weighted average period of 1.04 years (2020: 1.07 years).

As at 31 December 2021, there were 36,415 (2020: 42,873) RSA's/RSU's outstanding. During 2021, 11,971 (2020: 15,949) RSA's/RSU's vested with a weighted average grant price of USD 100.09 each (2020: USD 80.86 each).

(c) Other Incentive Awards

American Express Company awards certain employees other incentive awards that are generally settled by cash. These awards earn value based on the American Express Company’s financial performance, market and service conditions, and vest over periods from one to three years.

American Express Company ceased issuing portfolio grants as of the beginning of 2019 and there were no portfolio grants issued in 2021 or 2020. For the grants that were issued before 2019, the Company has not recorded any expense for 2021 (2020: £ 0.1m recovery) and there were no grants outstanding at the year-end (2020: 260,000). The face value of a grant is equal to one US dollar.

The recovery in 2020 was due to adjustments in the expected payout of 2018 PG awards. Specifically, as of December 2019, the payout expectation was 112% and ultimately reduced to 85% as of December 2020, causing a true-down in expense exceeding 2020 accruals.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

5. DIRECTORS' REMUNERATION

	2021 £'000	2020 £'000
Emoluments	**1,395**	715
Amounts receivable under long term incentive schemes	**257**	361
Pension costs	**42**	33
	1,694	1,109

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

	2021 Number	2020 Number
Money purchase schemes	**8**	10

During the year eight (2020: ten) Directors exercised share options in American Express Company, the ultimate parent company, and/or received common stock in American Express Company as a result of RSA's vesting in the year.

The following remuneration was earned by the highest paid Director:

	2021 £'000	2020 £'000
Emoluments including amounts receivable under long term incentive schemes	**524**	311
Pension Costs	**1**	2
	525	313

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

Two Directors who served during the year are employed by and receive their remuneration from another American Express group company; services provided by employees of one American Express group company to another fall under the enterprise-wide Transfer Pricing Policy and are recharged appropriately.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
Group undertakings	**2,146**	1,233
	2,146	1,233

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

6. INTEREST RECEIVABLE AND SIMILAR INCOME (Continued)

Due to uncertainty surrounding the suitability of the London interbank offered rate (LIBOR) as a credible benchmark rate, it is being phased out and will be replaced by alternative reference rates by June 2023. The Group has an enterprise-wide, cross functional initiative to identify, assess and monitor risks associated with the LIBOR transition, engage with industry participants, customers and regulators and to transition to new alternative reference rates.

As part of this global initiative, the Company has worked to ensure that contracts, operational processes, information systems and models have been updated to replace references to LIBOR and facilitate a timely transition to alternative rates. All rates were updated effective 1 January 2022.

The Company held one loan with affiliate entities which were impacted by the rate reform and needed to be transitioned to alternative reference rates. The loan with GBP LIBOR rates and a 31 December 2021 value of £664.5m was transitioned to term Sterling Overnight Indexed Average rates (SONIA). The impact to the Company of transitioning to the new rates was immaterial.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£'000	£'000
Other interest payable	**3**	76
	3	76

8. LOSS BEFORE TAXATION

	2021	2020
	£'000	£'000
Loss before taxation is stated after charging:		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	**260**	240
Depreciation of tangible assets	**1**	2
Operating lease rentals	**13**	21

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

9. TAX ON LOSS

The differences between the taxation reflected in the financial statements and the amounts calculated at the statutory rate of 19% (2020: 19%) are as follows:

	2021	2020
	£'000	£'000
Loss before taxation	**(7,142)**	(47,566)
Tax calculated at a tax rate of 19% (2020: 19%)	**(1,357)**	(9,044)
Adjusted for the effects of:		
Non-deductible expenses/(non-taxable income)	**(630)**	235
Prior year adjustments	**(7)**	(215)
Changes to deferred tax recognition	**—**	(1,821)
Rate change impact	**(2,003)**	—
Permanent difference in respect of share-based payments	**135**	56
Total Tax expense	**(3,862)**	**(10,789)**

	2021	2020
	£'000	£'000
Current income tax		
UK Tax		
Current income tax	**56**	167
Prior Year Adjustments	**(6,048)**	8
	(5,992)	175
Overseas tax		
Prior year adjustments	**—**	(15)
Total Current Tax	**(5,992)**	160
Deferred Tax		
Origination and reversal of temporary differences	**(1,908)**	(10,741)
Prior year adjustments	**6,041**	(208)
Impact of change in tax rate	**(2,003)**	—
Total Deferred Tax	**2,130**	(10,949)
Income Tax expense	**(3,862)**	(10,789)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

9. TAX ON LOSS (Continued)

Taxation on items not (credited) / charged to the income statement

	2021 £'000	2020 £'000
Current Tax credit		
Tax deduction on share options / awards in excess of expense recognised	**(56)**	(167)
Current Tax - Adjustment for prior years	**4**	(8)
Deferred Tax credit		
Tax deduction on share options / awards in excess of expense recognised	**(146)**	160
Deferred tax - Adjustment for prior years	**—**	208
De-recognition of deferred tax asset	**—**	(271)
Impact of change in tax rate	**(30)**	—
Total	**(228)**	(78)

Deferred tax

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

	Fixed Assets £'000	**Provisions £'000**	**Share Payments £'000**	**Tax Losses £'000**	**Total £'000**
At 1 January 2021	2,762	67	667	7,355	10,851
(Debit) / Credit to Income Statement	174	5	(58)	1,787	1,908
Credit to Equity	—	—	146	—	146
Prior year adjustments- Income Statement	—	—	—	(6,041)	(6,041)
Prior year adjustments- Equity	—	—	—	—	—
Tax rate change to Income Statement	927	23	74	979	2,003
Tax rate change to Equity	—	—	31	—	31
At 31 December 2021	**3,863**	**95**	**860**	**4,080**	**8,898**

	Fixed Assets £'000	**Provisions £'000**	**Share Payments £'000**	**Tax Losses £'000**	**Total £'000**
At 1 January 2020	—	—	—	—	—
Credit to Income Statement	2,762	67	557	7,355	10,741
Credit to Equity	—	—	110	—	110
Prior year adjustments- Income Statement	—	—	208	—	208
Prior year adjustments- Equity	—	—	(208)	—	(208)
Tax rate change to Income Statement	—	—	—	—	—
Tax rate change to Equity	—	—	—	—	—
At 31 December 2020	2,762	67	667	7,355	10,851

9. TAX ON LOSS (Continued)

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% (enacted on 10th June 2021) from 19% from 1 April 2023. This rate was substantively enacted at the year end, and as such deferred tax has been calculated with reference to this rate.

The Company has not recognised a deferred tax asset relating to pre-incorporation losses carried forward of £12m (2020: £12m). Deferred tax has not been recognised in respect of these losses due to uncertainty over their future utilisation.

10. TANGIBLE ASSETS

	Furniture and Fittings £000
Cost:	
At 1 January 2021	18
Disposals	(2)
At 31 December 2021	**16**
Accumulated depreciation:	
At 1 January 2021	17
Provided during the year	1
Disposals	(2)
At 31 December 2021	**16**
Net book value:	
At 31 December 2021	**—**
At 31 December 2020	1

11. INVESTMENTS

	2021 £'000	2020 £'000
Investment in subsidiaries		
Cost:		
At 1 January and 31 December	**53,526**	53,526

Undertaking	**Percentage of shares held**	**Description of shares held**	**Principal Activity**	**Registered Office Address**
American Express Payments Europe S.L.	100%	Ordinary €10	Merchant Acquirer	Avenida del Partenon, 12-14, Campo de la Naciones, Madrid, 28042

American Express Payments Europe S.L. (“AEPE”) is a company limited under Spanish Law which operates as a Merchant Acquirer.

The percentage of shares held reflects the position at both 31 December 2021 and 31 December 2020.

12. FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

The table below presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2021 and 2020, by valuation method. The different levels have been defined as follows:

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

At 31 December 2021	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Assets				
Derivative financial assets				
- Forward foreign exchange contracts	—	2,720	—	2,720
Total assets	**—**	**2,720**	**—**	**2,720**
Liabilities				
Derivative financial liabilities				
- Forward foreign exchange contracts	—	39	—	39
Total liabilities	**—**	**39**	**—**	**39**

At 31 December 2020	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Assets				
Derivative financial assets				
- Forward foreign exchange contracts	—	7,073	—	7,073
Total assets	**—**	**7,073**	**—**	**7,073**
Liabilities				
Derivative financial liabilities				
- Forward foreign exchange contracts	—	1,088	—	1,088
Total liabilities	**—**	**1,088**	**—**	**1,088**

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

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

12. FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (Continued)

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

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments

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

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

The derivative financial instruments shown in the following tables act as economic hedges but are not designated as such for hedge accounting purposes. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values at the balance sheet date are analysed below.

At 31 December: **(£'000)**

Particulars	**2021**			2020		
	Notional Amount	**Fair Value**		Notional Amount	Fair Value	
		Assets	**Liabilities**		Assets	Liabilities
Forward foreign exchange contracts	**108,877**	**2,117**	**39**	226,652	7,073	809
Other derivatives*	**46,279**	**603**	**—**	41,654	—	279
Total	**155,156**	**2,720**	**39**	268,306	7,073	1,088

*Other derivatives represent forward foreign exchange contracts entered into for the purposes of economically hedging the Company's subsidiary foreign currency exposure. For the Company's standalone reporting, no hedge accounting is applied and gains or losses associated with these derivatives have been recognised in the income statement.

The Company only holds derivatives which are short term in nature, maturing within 12 months. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Balance Sheet.

14. DEBTORS

	2021	2020
	£'000	£'000
Trade debtors	**28,526**	45,140
Less: reserves	**(3,228)**	(16,883)
Loans due from group undertakings	**866,114**	523,454
Amounts owed by group undertakings	**2,745**	2,672
Corporate tax	**203**	—
Derivative financial instruments (refer Note 13)	**2,720**	7,073
Prepayments	**443**	418
	897,523	561,874

Reserves on trade debtors are determined based on the methodology outlined in Note 2.8 and are typically fully reserved for after 90 days past due, when the underlying amounts are no longer expected to be recovered. In addition assessments, incorporating past events, current conditions and future economic conditions, are performed on a case by case basis and additional reserves are booked when required. Management have also given consideration to the inclusion of qualitative reserves to cover losses that are expected, but may not be adequately represented in the quantitative methods or economic assumptions. Amounts are generally written off when 360 days past due.

Loans due from group undertakings represents unsecured loans extended by the Company to affiliates on a floating rate. Interest is computed on actual daily principal outstanding during the preceding monthly period on a 365-day basis and is payable at monthly or annual intervals.

Amounts owed by group undertakings are unsecured and repayable on demand.

15. CASH AT BANK AND IN HAND

	2021	2020
	£'000	£'000
Cash at bank and in hand	**18,931**	119,861
	18,931	119,861

Certain American Express Group companies in the UK, including the Company, participate in a Group banking arrangement with a third-party bank (“the Bank”). Under the terms of this arrangement, the Company's cash deposits with the Bank are available to be offset against outstanding overdraft balances of other participating American Express Group companies. The Company's exposure to this arrangement is limited to the funds held with the Bank which, as at 31 December 2021, amounted to nil (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

16. CREDITORS: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	**529,537**	372,251
Accruals and deferred income	**12,306**	8,913
Derivative financial instruments (Note 13)	**39**	1,088
Amounts owed to group undertakings	**291,425**	215,351
Other taxation and social security	**1,182**	505
Corporation tax	**—**	908
Other creditors	**229**	189
	834,718	599,205

In accordance with the Primary Acquiring Operating Agreement, TRSCo will remit to AEPSL the amount due for charges incurred by cards issued on the American Express network, on the day on which AEPSL is due to make payment for those charges to the merchant. Accordingly, sufficient liquidity exists to pay merchants as they fall due.

Included within Creditors is £833m (2020: £598m) classified as financial liabilities.

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

Terms and conditions of the above financial instruments are:
(i) Trade creditors are non-interest bearing and predominantly consist of Merchant payables which are normally settled within 30 days, together with vendor payables which are normally settled within 60 days.
(ii) Other creditors are non-interest bearing and are normally settled within 60 days.
(iii) Amounts owed to group undertakings are unsecured and repayable on demand.

17. PROVISIONS FOR LIABILITIES

	Restructuring Reserve £000	Total £000
At 1 January 2021	—	—
Net change in provision	**372**	**372**
At 31 December 2021	**372**	**372**

Increases, utilisations and releases in provisions are not material to the Company so have been presented on a net basis.

Restructuring provision
From time to time, the Company initiates restructuring programs to become more efficient and effective, and to support new business strategies. In connection with these programs, the Company will typically incur severance and other exit costs. During 2021, the Company recognised £1.0m (2020: £0.1m) of restructuring charges.

18. CALLED UP SHARE CAPITAL

	2021 Number	2020 Number	**2021 £000**	2020 £000
Authorised				
Ordinary shares of £1 each	**100,000,000**	100,000,000	**100,000**	100,000
Issued, called up and fully paid				
Ordinary shares of £1 each	**13,150,000**	13,150,000	**13,150**	13,150
	13,150,000	13,150,000	**13,150**	13,150

19. DIVIDENDS PAID

The Directors do not propose the payment of a dividend (2020: £nil)

20. PENSIONS

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

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

The UK Plan

The UK Plan is a defined benefit pension plan with a normal retirement age of 65. The UK Plan was offered to employees who joined the Company before 1 July 2006 and has a weighted average duration of around 15 years.

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

The UK Plan operates under trust law and is governed by a Trustee board in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Plan's assets are held by the trust. The contributions paid to the UK Plan are agreed with the Trustees on the basis of a valuation carried out every three years by the Scheme Actuary. Principal factors that the Scheme Actuary will have regard to include the covenant offered by the Sponsor, the level of risk in the Plan, the Plan's investment strategy and the Plan's funding level. In compliance with the Pensions Act 2004, the Sponsor and the Trustee agreed a scheme-specific funding target, statement of funding principles, a schedule of contributions and a recovery plan accordingly.

20. PENSIONS (Continued)

The UK Plan (Continued)

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

German Plans

There are five defined benefit plans in Germany, of which only one is open to new hires. The normal retirement age is generally 65 and the benefit is generally paid as a lump sum at retirement, although one Plan pays a monthly pension for life. The weighted average duration of the German Plans is around 15 years.

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

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

Key assumptions and valuation results

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

Assumptions	**Nominal % pa**			
	UK		**Germany**	
	2021	2020	**2021**	2020
Discount rate	1.85	1.25	1.15	0.65
Rate of increase in salaries	n/a	n/a	3.00	2.90
Social Security increases	n/a	n/a	2.40	2.40
Rate of pension increase in payment*	0.00-3.18	0.00-2.84	2.00	1.90
Rate of increase in price inflation				
RPI**	3.50	3.00	n/a	n/a
CPI**	3.00	2.50	2.00	1.90
Mortality table	SAPS S3 mortality table CMI 2020 model with trend of 1.50% per annum	SAPS S3 mortality table CMI 2019 model with trend of 1.50% per annum	Heubeck 2018G	Heubeck 2018G

* post 88 GMP = 2.27%; pre 1997 excess = 0%; April 1997 to April 2005 = 3.18%; post April 2005 = 2.04%

** RPI = Retail Price Inflation; CPI = Consumer Price Inflation

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

20. PENSIONS (Continued)

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

	UK		Germany	
IAS19 Defined Benefit Obligation and Market Value of Assets	**2021 (£m)**	**2020 (£m)**	**2021 (£m)**	**2020 (£m)**
Present value of Plan liabilities	1,263.9*	1,308.7*	102.2	115.0
Market value of assets**	1,229.7*	1,209.8*	4.5	4.5
Deficit	(34.2)	(98.9)	(97.7)	(110.5)
Sensitivity analysis - 2021 Defined Benefit Obligation				
Discount rate assumption being 1% higher	1,106.3*		88.3	
Discount rate assumption being 1% lower	1,445.7*		119.5	

* Includes £73m of Additional Voluntary Contribution ("AVCs") (£66m in 2020)
** There are no self-invested assets in the UK Plan or in the German Plans

As a result of the 2018 and 2020 UK court rulings requiring the equalisation of Guaranteed Minimum Pensions (GMP) in UK pension schemes including historic transfer values, the 2021 UK Plan liabilities include an allowance for GMP equalisation.

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

Asset Allocation as at 31 December	**2021 (£m)**	**2020 (£m)**
Domestic equities	15.2	21.4
Foreign equities	212.7	364.9
Government bonds	518.7	272.5
Corporate bonds	54.3	58.8
Buy-in contract	235.7	253.8
Additional voluntary contributions	72.8	65.6
Cash and cash equivalents	35.5	30.8
Other	84.8	142.0
Total	1,229.7	1,209.8

There was a special event in 2017 for the UK Plan involving a pensioner buy-in transaction to partially insure the UK pensioner liabilities. The value of the buy-in contract is £241.8m and has been included within the allocation above. The assets under the "Other" category represent amounts mainly invested in diversified funds and include investments in hedge funds which make use of different investment styles including the use of derivatives.

All securities invested by the UK Plan have a quoted market price in an active market (with the exception of £255.3m mainly attributable to the pensioner buy-in contract).

Additional voluntary contributions (AVCs) made by members to enhance their benefits had a matching defined contribution applied by the employer and are included in the assets and liabilities shown above as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

20. PENSIONS (Continued)

Contributions

The employer contributions to the UK Plan and German Plans during the calendar year 2021 and 2020 and expected for 2022 are summarised in the table below.

Country/Plan(s)	Expected 2022 Contributions (£m)	Actual 2021 Contributions (£m)	Actual 2020 Contributions (£m)
UK	21.4	21.4*	20.4*
Germany**	3.1	2.1	1.9

* In addition during 2021, the employer contributed £31.7m (2020: £36.0m) (including salary sacrifice contributions) to the defined contribution Stakeholder Plan in the UK.

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

21. RELATED PARTY TRANSACTIONS

The Company had no transactions with Directors or Key Management Personnel during the year ended 31 December 2021 (2020: nil) except for the transactions relating to Directors' emoluments disclosed in Note 5.

22. EVENTS AFTER THE BALANCE SHEET DATE

In light of the current Russia-Ukraine conflict, American Express announced the suspension of all its operations in Russia on 6 March 2022. American Express issued cards will no longer operate at merchants and ATMs in Russia, and cards issued locally in Russia by Russian banks will not operate outside the country on the American Express global network. American Express has also suspended all business operations in Belarus.

Based on the current assessment completed by management, the Company has minimal exposure to Russia, however the situation will continue to be monitored.