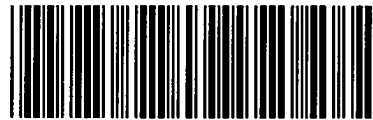


American Express Group Services Limited

Registered number 06613927

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022**

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American Express Group Services Limited

Report and Financial Statements for the year ended 31 December 2022

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American Express Group Services Limited

Officers & Advisors

DIRECTORS

C Malec - Chair
L Mansfield
S Batchelor

SECRETARY

G Gill

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

BANKERS

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

REGISTERED OFFICE

Belgrave House
76 Buckingham Palace Road
London
SW1W 9AX

American Express Group Services Limited

Directors' Report for the year ended 31 December 2022

The Directors present their report and the audited financial statements of American Express Group Services Limited ("the Company" or "AEGSL") for the year ended 31 December 2022.

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" or "American Express"). 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 services to other companies within the American Express Group, predominantly in relation to the Global Network Services (GNS), Network and Acquirer Solutions (NAS) and Accertify businesses.

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.

RESULTS AND DIVIDENDS

The results for the year are set out on page 20 and show the profit before taxation for the year ended 31 December 2022 of £25.6m (2021: £26.0m). The profit after taxation for the financial year was £21.6m (2021: £21.5m) and has been transferred to reserves. The Directors do not propose the payment of a dividend in 2022 (2021: £nil). Total Shareholders' Funds at 31 December 2022 stood at £270.7m (2021: £248.5m). The Financial Performance section of the Strategic Report gives a more detailed review of the Company's performance indicators.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to limited 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 and political 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:

C Malec - Chair

S Batchelor

J Hipkin (resigned 30 November 2022)

L Mansfield (appointed 1 December 2022)

American Express Group Services Limited

Directors' Report for the year ended 31 December 2022 (Continued)

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.

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 2022 our UK offices fully reopened after temporary closure and reduced occupancy during the Covid-19 pandemic. Colleagues were able to take full advantage of Amex Flex – the new way of working for American Express. Most colleagues are hybrid and typically required to come into the office two days per week.

This year, American Express was voted one of the Top 25 Employers in the UK by LinkedIn and was named as a Top Employer by Working Families, the UK's leading work-life balance organisation.

We are committed to providing an inclusive and accessible work environment where everyone, including colleagues, candidates, and 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. As well as signing the Women in Finance Charter, the Race and Work Charter and being part of the Valuable 500, this pledge is focused on elevating the conversation on disability to ignite systemic change in the UK by unlocking the business, social, and economic value of the people living with disabilities.

To help enhance our Diversity, Equity and Inclusion (DE&I) programs and resources, as well as to inform diversity strategy and meet our commitments, colleagues are invited to voluntarily self-identify across four key categories including gender identity, sexual orientation, ethnicity, and disability status.

We make it a point to actively listen to our colleagues which enables us to have open dialogues around various issues that affect our colleagues' lives, and to understand what matters most to our people. To create a deeper sense of belonging and community across our company, we provide opportunities for colleagues to learn, grow, and build their inclusive leadership skills, including the following learnings and self-guided courses: Strengthening Our Culture of Belonging and Inclusion; Belonging at Amex; and Managing Unconscious Bias. Listening to and learning from our colleagues is an important way to better understand how we can sustain a culture of inclusion and belonging. We continually ask for feedback on the learnings, tools, and resources we provide, and the feedback we've received continues to be very positive overall.

Employee physical and mental health remains a priority for American Express and we have a number of initiatives and resources to support colleague well-being.

American Express Group Services Limited

Directors' Report for the year ended 31 December 2022 (Continued)

EMPLOYEE ENGAGEMENT STATEMENT (Continued)

The Company has a team dedicated to health and well-being, led by a Medical Director, which oversees the Healthy Living Hub (a wellness concierge primary health care service) with integrated referral and clinical care pathways. These include links to the Company Healthy Minds Employee Assistance Program, that has licensed counsellors offering virtual and in-person sessions; and other health services included in the health care plan (AXA Health). There are two Emotional Wellbeing Therapists onsite who offer supportive psychological therapy, education and training, plus an online emotional wellbeing support platform. We also offer a GP-led primary care service, onsite clinical nurse, Virtual GP and physiotherapy services for fast and easy access to healthcare for all colleagues. Onsite provision of healthcare services has been modified whilst building refurbishment works are carried out. The primary care service and Healthy Living team also provide regular theme-led health webinars and virtual wellbeing sessions covering lifestyle related topics such as stress management, resiliency, mindfulness, health risk related factors like nutrition, smoking, diet, physical activity, sleep and work-life balance. Colleague feedback remains key to the evaluation of all the health and well-being service provisions and health & well-being delivery framework which is aligned to the Colleague Experience Group (CEG) Strategy.

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 optimizing shareholder return. American Express has continued to reward and recognize the performance and dedication of colleagues with a focus on bolstering our competitive positioning through enhancements to our global short and long-term incentive programs.

Eligible employees participate in equity awards with pay-outs that are linked to seniority and performance driven. A description of the plans and performance measures are 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 so that issues impacting key stakeholders are escalated to the Board for its consideration. Given the Company has no external customers, the key stakeholders for the Company are considered to be the other companies within the American Express Group who benefit from the services provided; and the Company's employees who form the majority of the expense base and are responsible for providing the services.

The Company has continued to support and develop its employees throughout the year, as further detailed in the Employee Engagement Statement. The Company's principal action during the year was to monitor the residual impacts of COVID-19 in order to provide additional support to the Company's employees, which included the return to the office and the subsequent development of the Amex Flex model.

American Express Group Services Limited

Directors' Report for the year ended 31 December 2022 (Continued)

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Since 2018, the American Express Group has been a CarbonNeutral® company, powered by 100% renewable electricity across our global operations. In 2020, the Group began aligning the way it assesses risks to its business as a result of climate change with the recommendations set forth by the Task Force on Climate-related Financial Disclosures (TCFD). The Group continues to assess climate-related risks and opportunities across our business to inform our ESG strategy.

The Group is committed to supporting a low-carbon economy in line with the science-based recommendations of the Intergovernmental Panel on Climate Change (IPCC). Achieving and maintaining carbon neutral operations was an important first step. The Group is taking this further by committing to net-zero emissions by 2035 in alignment with the Science Based Targets initiative (SBTi). This goal was selected based on SBTi's most ambitious level of climate action, to limit global warming to 1.5 degrees Celsius above pre-industrial levels.

As part of the Company's commitment to comply with all relevant environmental legislation, this section of our Director's Report discloses the Company's operational energy consumption and carbon footprint in line with the UK government's Streamlined Energy and Carbon Reporting (SECR) initiative, including data from this financial year and the previous one (January to December; 2022 and 2021).

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*

* 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 (Department for Environmental, Food and Rural Affairs) GHG Conversion Factors 2022 updated on 22 September 2022. For reporting purposes, we assume all cars to be average type with unknown fuel.

The operation of internal data centres, 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. The electricity intensity factors were used to estimate consumption for facilities where no metered data was available. Intensity factors were calculated by country average of metered AXP sites.

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, the calculation methodology has been updated to follow global GHG estimation methodology revision. An annual leakage rate (in percent of capacity) for building HVAC (heating, ventilation and air conditioning) was assumed to be 10% based on US EPA guidance. Refrigerant capacity of facilities was assumed based on facility area and US National Average 280 sq. ft./ton capacity for office buildings as determined by the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) and 2.52lb/ton refrigerant charge capacity was assumed per cooling-ton based on TRANE research of HFC-134a.

American Express Group Services Limited

Directors' Report for the year ended 31 December 2022 (Continued)

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

It is conservatively assumed that estimated facilities use the refrigerant HFC-134a. 2021 figures have been recalculated to align with revised methodology. Additionally, for most our locations, 2022 actual refrigerants inventory was created and for such cases emissions have been calculated in line with screening method described in GHG Inventory Guidance Direct Fugitive Emissions from Refrigeration, Air Conditioning, Fire Suppression, and Industrial Gases.

The primary metric that American Express uses for normalising emissions for annual comparison is tCO₂e (tonnes of carbon dioxide equivalent) per employee.

UK Annual Energy and Carbon

Due to the nature of the UK 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 has 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 summarize the entity-specific energy consumption and subsequent emissions.

As part of the Group's public disclosure, the American Express ESG Report includes a detailed section summarising the Group's global energy consumption and global GHG inventory. This information has not been audited by PwC but is covered by a limited level of assurance verification opinion provided by an external third party. The following link provides access to the latest ESG Report:

<https://about.americanexpress.com/corporate-responsibility/reports/corporate-responsibility-reports/default.aspx>

As shown below (Table 1 and 2), the Company had an increase in total energy and both location-based emissions and market-based emissions compared to the previous year. This was predominantly driven by an increase in office occupancy, as well as portfolio changes including leasing extra WeWork space in London to support our operations during the Belgrave House office refurbishment. In 2022 the Company established a new process with the landlord to incorporate our energy usage from essential services in their billing (which was previously not metered). This increased visibility to our direct consumption in Belgrave House led to a significant increase in identified electricity usage.

Following the relaxation of Covid-19 restrictions in 2021 offices started to reopen with a reduced number of colleagues, leading to a new working model in 2022. In March 2022, we officially launched Amex Flex, our new way of working where colleagues can work in the office, at home, or can take a hybrid approach that combines both. Amex Flex is designed to leverage the best of both in-person and remote work and to enable colleagues to have greater flexibility in their personal and professional lives. With most colleagues working in office 1-2 days per week, we have seen an increase in facilities occupancy compared to 2021 (over three times). Likewise, business travel needs have increased, resulting in a significant growth in business travel.

The intensity ratio has also shown an increase when comparing location-based metric following absolute emission changes. Market-based metric shows a reduction following a minor headcount increase which outweighed the impact of the increase in absolute emissions.

American Express Group Services Limited

Directors' Report for the year ended 31 December 2022 (Continued)

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

Table 1: Annual Energy Consumption

Energy	Unit	2022	2021
Natural Gas	kWh	280,889	258,704
Fuel Oil	kWh	850	92
Total Direct Energy Consumption	kWh	281,739	258,796
Purchased electricity	kWh	581,865	352,065
Solar	kWh	102	141
Total Intermediate Energy Consumption	kWh	581,967	352,206
Transport (Scope 3)	kWh	3,937	65
Total	kWh	867,643	611,067

Table 2: Annual tCO₂e emissions

Greenhouse Gas (GHG) Emissions	Unit	2022	2021
Scope 1 – Direct	tCO ₂ e	65.24	65.48
Scope 2 (Location) – Indirect	tCO ₂ e	112.52	74.75
Scope 2 (Market) – Indirect	tCO ₂ e	—	—
Scope 3: Category 6 – Business Travel	tCO ₂ e	0.97	0.02
Total (Location)	tCO₂e	178.73	140.25
Total (Market)	tCO₂e	66.21	65.50

2022 figures calculated based on updated global GHG estimation methodology (2021 figures restated for consistency)

Table 3: tCO₂e vs normalization metric

Intensity Ratio	Unit	2022	2021
Market-based	tCO ₂ e/employees	0.2192	0.2266
Location-based	tCO ₂ e/employees	0.5918	0.4853

2022 figures calculated based on updated global GHG estimation methodology (2021 figures restated for consistency)

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 and achieving net-zero by 2035, we are making a conscious effort to increase energy efficiency and reduce our carbon footprint. We have evaluated several cost-effective energy efficiency measures across our portfolio. Examples of measures implemented during reporting year 2022 are listed in Table 4.

American Express Group Services Limited

Directors' Report for the year ended 31 December 2022 (Continued)

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

Table 4: Energy Efficient Projects

Location	Project Name	Savings (kWh)	Savings (tonnes CO ₂ , location based)	Savings (£)	Cost (£)	Status	SPP (y)
Belgrave House	Refurbishment ^(a)	128,127	27	17,938	35,536,176	Implementation commenced in 2021	>10
Belgrave House	UPS ^(b) Replacement	78,299	17	14,250	119,259	Implemented	8.4
36 Mighell Street	UPS Rooms monitoring and cooling optimization	103,000	20	25,000	12,173	Implemented	0.5
Belgrave House	EkkoSense IT Rooms monitoring and cooling optimization	127,000	25	31,000	59,168	Implemented	1.9
1 John Street	EkkoSense IT Rooms monitoring and cooling optimization	60,000	12	14,563	39,600	Implementation commenced in 2022	2.7
Sussex House	Installation of 4 additional EV charging stations	n/a	16	n/a	7,570	Implemented	n/a
Sussex House	Project Recharge Phase 1: Exit of Floor 2 and conference space on Floor 3	75,000	15	18,204	n/a	Implemented	n/a
Belgrave House	Upgrade of Sanitary Items, Taps, Hand Dryer & Lighting	15,060	3	4,000	105,800	Implemented	26.5

^(a) The cost reported above represents the full cost of the Belgrave House refurbishment. While the project is not driven by energy efficiency, it includes multiple elements that will contribute to improving building efficiency which cannot be precisely isolated from the total cost. Energy efficiency improvements include a move to more efficient equipment (e.g. cooling equipment in server rooms), improving operational control through AMEX BMS (building management system) installation and its integration with landlord master BMS for heating and cooling sub-metering. This will allow quantification of the Company's actual energy usage and emissions, rather than relying on the landlord's estimations. Estimated savings above include expected total effect of all improvements achieved within the project.

^(b) Uninterruptible power supply.

American Express Group Services Limited

Directors' Report for the year ended 31 December 2022 (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 2022 was 47 days (2021: 22 days). The year on year increase is driven by a number of isolated instances where invoices have been received or accepted substantially later than their initial issue date.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made no donations to advance the causes of charitable organisations (2021: £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 (2021: £nil).

American Express Group Services Limited

Directors' Report for the year ended 31 December 2022 (Continued)

INDEPENDENT AUDITORS

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

The financial statements on pages 20 to 42 were approved by the Board of Directors on 5 July 2023 and signed on its behalf by:

DocuSigned by:

Catherine Malec

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C Malec

Chair

5 July 2023

DocuSigned by:

Louise M Mansfield

278E80A52A1948D...
L Mansfield

Director

American Express Group Services Limited

Strategic Report for the year ended 31 December 2022

The Directors present their Strategic Report of American Express Group Services Limited (“the Company”) for the year ended 31 December 2022.

BUSINESS REVIEW

Objectives of the Company

The key objective of the Company is to provide high quality services to other American Express Group companies.

Business Strategy

The Company is focused on the key services which it provides. It aims to be appropriately remunerated for the services it provides and the costs it incurs.

The Company provides international services including supporting the GNS, NAS and Accertify businesses.

Employee Strategy

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

- Developing a new Career Growth model, innovative learning experiences and leaders of the future.
- Engaging colleagues to strengthen and champion our culture, focusing on diversity, equity & inclusion, conduct risk and Amex Flex.
- Delivering an end-to-end internal and external recruiting experience.
- Promoting holistic well-being for all colleagues across the moments that matter to them.

FINANCIAL PERFORMANCE

A number of performance indicators are used to monitor the Company’s progress against its strategies and objectives. As part of the monitoring of the Company’s financial performance, the Directors review the costs incurred and cost recovery. In addition, non-financial indicators are monitored including average number of employees.

For the services provided to American Express Limited (“AEL”) in support of the GNS business, the Company continues to be remunerated through an allocation of the net profit pool reported in AEL in respect of that business. In 2022, the overall net profit pool reported in AEL decreased as compared to 2021, which, along with a reduction in the share of the profit allocated to the Company, resulted in a £4.4m decrease in profit allocation. Offsetting this, charges to other Group companies increased by £10.5m in 2022 in line with an increased cost base. As a result, the Company has recorded turnover for the year ended 31 December 2022 of £75.8m (2021: £69.7m) and a profit before taxation of £25.6m (2021: £26.0m). The retained profit for the financial year was £21.6m (2021: £21.5m) and has been transferred to reserves. The capital position of the Company increased during the year as reflected by Total Shareholders’ Funds of £270.7m as at 31 December 2022 (2021: £248.5m).

FINANCIAL RISK MANAGEMENT

The Company’s operations expose it to limited financial risks. Due to the way that the Company is remunerated for certain services, the level of revenue recorded by the Company is linked to the performance of the GNS business. However, the Company’s income under this arrangement is structured so as not to fall below actual costs incurred.

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, measure, report 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.

American Express Group Services Limited

Strategic Report for the year ended 31 December 2022 (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

Credit risk is 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. The Company is not considered to be subject to any significant credit risk as it only provides services to other American Express Group companies.

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 interest-bearing loans. The level of credit risk attached to intercompany positions is limited, given that all entities are part of the same financially strong group.

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 and transactions in currencies other than the functional currency.

The Company adopts the Market Risk Policy within the ERM program, whose objective is to identify and manage market risk exposures within the policy limits in the context of the Group's overall business model, while supporting sustainable earnings growth. This is accomplished by identifying, measuring and reporting such exposures on a periodic basis and by managing its exposures within the policy limits.

(i) Interest Rate Risk

The Company has interest-bearing assets, primarily cash and intercompany loans, that receive interest at floating short-term rates. These are managed in line with 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.

Following interest rate reforms the Company has transitioned away from the use of the London interbank offered rate (LIBOR) and all rates were updated to alternative reference rates from 1 January 2022.

(ii) Foreign Currency Risk

Foreign exchange risk is generated by cross currency transactions and foreign currency balance sheet exposures. The Company is not ultimately exposed to any transactional foreign exchange gains or losses as they are borne by a related Group entity.

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.

American Express Group Services Limited

Strategic Report for the year ended 31 December 2022 (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Funding and Liquidity Risk (Continued)

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 although liquidity risk is deemed low given the Company's limited liabilities.

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.

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. 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

For details of the Company's principal risks and uncertainties, please refer to the Outlook, Principal Risks and Uncertainties section of the Strategic Report.

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 defence" 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 (internal audit) - independent group providing assurance that the first and second lines are operating effectively.

During the year, the Board continued to monitor several key areas including the Russia-Ukraine conflict, employees' return to office (See 'Our People' below) and the potential risks to the GNS business due to the macro environment resulting in slow economic growth or potential contraction which could then impact the net profit pool underlying the AEL profit allocation.

American Express Group Services Limited

Strategic Report for the year ended 31 December 2022 (Continued)

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

2. Our People

The Company is committed to being a responsible business. The Board's behaviour 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 behaviour, so they achieve their goals in the right way.

During the year, the Board received regular updates from the Global Real Estate team in respect of the UK building footprint. In particular the use of WeWork premises during the refurbishment of Belgrave House, and discussions around building usage in the UK.

The Board continues to work alongside the Colleague Experience Group to attract and retain talent by allowing all workers to apply for virtual working, or take advantage of the Amex Flex working model, splitting time between home and the office. Following the return to office in early 2022, the Board were consulted 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 feel comfortable with returning to the office. The Board has also considered the potential impacts of employee turnover on the Company and continues to update the succession planning for key roles.

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

3. Business relationships

The Company's strategy, implemented by the Directors, is focused on the key services it provides, whilst ensuring it continues to be appropriately remunerated by other Group entities.

The Company has no external customers, with all services being provided to other companies within the American Express Group. For certain services, the Company is remunerated based on the performance of the GNS business, with the Directors receiving an update on the performance of that business at every Board meeting.

There have been no principal decisions to be made by the Board that would impact business relationships during the year ended 31 December 2022. Were any issues to arise, these would have been escalated to the Board and decisions would be taken in the best interests of the Company's key stakeholders, with due consideration to the risks involved.

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,

American Express Group Services Limited

Strategic Report for the year ended 31 December 2022 (Continued)

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

4. Community and environment (Continued)

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.

The Board considers the impacts of all its decisions on the community and the environment. However, there were no significant events during the year specifically related 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.

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 and properly considered. The Company Board 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.

OUTLOOK, PRINCIPAL RISKS AND UNCERTAINTIES

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

Having a lean and flexible operating structure is a critical element in the Company's strategy. To help in that regard, the Company periodically undertakes restructuring initiatives to further reduce its operating costs by reorganising certain operations. The goal is to make the Company more flexible, more efficient and more effective in using resources to help drive growth across the Group.

The net profit pool reported in AEL, of which the Company receives an allocation as remuneration for services provided, is dependent on the performance of the GNS business. Slow economic growth, economic contraction or shifts in broader consumer and business trends can significantly impact customer behaviours and the performance of that business. 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 profit allocation received by the Company. The Company is monitoring the impacts of the current high levels of inflation and increased interest rates on the AEL profit allocation, however the Company's income under this arrangement will never fall below actual costs incurred.

Given the recent turmoil in the banking industry, Group liquidity sources continue to be actively monitored in a highly volatile, uncertain, and rapidly evolving environment. The Group currently has a strong liquidity position and is planning to hold excess liquidity in excess of the regulatory needs throughout 2023.

American Express Group Services Limited

Strategic Report for the year ended 31 December 2022 (Continued)


OUTLOOK, PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

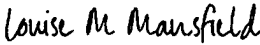
The Company has minimal exposure to Russia, with the Group having suspended its operations in Russia and Belarus in early 2022, however Management continues to monitor the situation in respect of the Russia-Ukraine conflict.

The Company expects to continue to provide services to other companies within the American Express Group for the foreseeable future.

After making enquiries, the Directors consider the Company to have a strong capital and liquidity position and be well supported by the American Express Group, therefore having a reasonable expectation that the Company has adequate resources 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 approved by the Board of Directors on 5 July 2023 and signed on its behalf by:

DocuSigned by:

698763C3292F45F...
C Malec
Chair

DocuSigned by:

278E80A52A1948D...
L Mansfield
Director

5 July 2023

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Income Statement, the Statement of Comprehensive Income and 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 2022 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, 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 Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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:

- Making enquiries with 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;
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing;
- Testing manual journal entries meeting our risk criteria including backdated items, duplicates and reversals; and
- 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 members 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
5 July 2023

American Express Group Services Limited

INCOME STATEMENT

For the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
TURNOVER	3	75,807	69,737
Administrative expenses		(54,934)	(45,093)
OPERATING PROFIT		20,873	24,644
Interest receivable and similar income	6	4,768	1,338
PROFIT BEFORE TAXATION	7	25,641	25,982
Tax on profit	8	(4,018)	(4,459)
PROFIT FOR THE FINANCIAL YEAR		21,623	21,523

The Notes on pages 24 to 42 form an integral part of the financial statements.

American Express Group Services Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 £000	2021 £000
Profit for the financial year	<u>21,623</u>	<u>21,523</u>
Total comprehensive income for the year	<u>21,623</u>	<u>21,523</u>

The Notes on pages 24 to 42 form an integral part of the financial statements.

American Express Group Services Limited

BALANCE SHEET


As at 31 December 2022

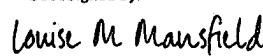
Registered number: 06613927

	Note	2022 £000	2021 £000
CURRENT ASSETS			
Debtors	9	286,475	263,367
Cash at bank and in hand	10	1,314	1,278
		<u>287,789</u>	<u>264,645</u>
CREDITORS: Amounts falling due within one year	11	(16,862)	(16,028)
		<u>270,927</u>	<u>248,617</u>
NET CURRENT ASSETS			
		270,927	248,617
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>270,927</u>	<u>248,617</u>
PROVISION FOR LIABILITIES	13	(257)	(113)
NET ASSETS		<u>270,670</u>	<u>248,504</u>
CAPITAL AND RESERVES			
Called up share capital	14	—	—
Share-based payment reserve		11,398	10,855
Retained earnings		<u>259,272</u>	<u>237,649</u>
TOTAL SHAREHOLDERS' FUNDS		<u>270,670</u>	<u>248,504</u>

The Notes on pages 24 to 42 form an integral part of the financial statements.

The financial statements on pages 20 to 42 were approved by the Board of Directors on 5 July 2023 and signed on its behalf by:

DocuSigned by:

 898763C3292F45F...
 C Malec
 Chair
 July 5, 2023

DocuSigned by:

 276E80A52A1948D...
 L Mansfield
 Director

American Express Group Services Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Registered number: 06613927

	Called up share capital	Share- based payment reserve	Retained earnings	Total Shareholders' Funds
	£000	£000	£000	£000
At 1 January 2022	—	10,855	237,649	248,504
Profit for the financial year	—	—	21,623	21,623
Total comprehensive income for the year	—	—	21,623	21,623
Share based payment charge	—	1,972	—	1,972
Recharge paid to parent for share based payments	—	(1,623)	—	(1,623)
Current and deferred tax movements in equity	—	194	—	194
At 31 December 2022	—	11,398	259,272	270,670

	Called up share capital	Share- based payment reserve	Retained earnings	Total Shareholders' Funds
	£000	£000	£000	£000
At 1 January 2021	—	10,584	216,126	226,710
Profit for the financial year	—	—	21,523	21,523
Total comprehensive income for the year	—	—	21,523	21,523
Share based payment charge	—	1,325	—	1,325
Recharge paid to parent for share based payments	—	(1,336)	—	(1,336)
Current and deferred tax movements in equity	—	282	—	282
At 31 December 2021	—	10,855	237,649	248,504

The Notes on pages 24 to 42 form an integral part of the financial statements.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

The financial statements of American Express Group Services Limited ("the Company") for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 5 July 2023 and the balance sheet was signed on the Board's behalf by C Malec and L Mansfield.

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 is a private company limited by shares, registered in England and Wales, domiciled in the United Kingdom and is part of the American Express Group of companies.

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 level of capital held and that under the current arrangements the Company will always be profitable. 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 FRS101 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 2.16.

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);
- 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;

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- 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 2022

The Company has adopted the following standards and amendments to standards with an initial date of application of 1 January 2022:

- **Amendments to IAS 16, Property, plant and equipment - Proceeds before intended use**
The amendment prohibits an entity from deducting from the cost of an item of Property, Plant & Equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that when assessing the technical and physical performance of the asset that an entity tests proper functionality rather than financial performance. The amendment is not expected to significantly affect the Company's financial statements.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Standards and Interpretations effective in 2022 (Continued)

- **Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37**

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. The amendment is not expected to significantly affect the Company's financial statements.

(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

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.

2.3 Financial assets

The Company classifies all its financial assets as financial assets at amortised cost. The Company did not hold any financial assets classified at fair value through profit or loss (FVTPL) or 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. 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.

(a) 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.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets (Continued)

(a) Financial assets at amortised cost (Continued)

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 effect of applying the effective interest rate would be immaterial. Financial assets at amortised cost as disclosed in the balance sheet include the following categories:

Debtors

(i) Loans to group undertakings

Loans to group undertakings represents unsecured loans extended by the Company to other Group companies. Expected credit losses are not material given the nature of lending and the strong credit position of the Group.

(ii) 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.

(iii) Other debtors

Other debtors relate to other receivables due to the Company in the normal course of business. Other debtor balances are presented on the balance sheet net of reserves for expected credit losses.

2.4 Impairment of financial assets

The Company assesses financial assets 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) Loans to and amounts due from group undertakings

Loans to and amounts 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.

(b) Other debtors

Given the short-term nature of 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.

2.5 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.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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.

2.7 Cash at bank and in hand

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 90 days or less. 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.

2.8 Financial liabilities

The Company only holds financial liabilities classified as other financial liabilities which are measured at amortised cost. Management determines the classification of financial liabilities at initial recognition and re-evaluates this designation at every reporting date.

Financial liabilities are initially measured at fair value, 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. Financial liabilities are classified as amounts owed to group undertakings, trade creditors, other creditors and accruals in the balance sheet.

2.9 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 provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Current and deferred tax (Continued)

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.

2.10 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.

The participating employers of the UK plan share 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 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 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.

(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 or units (collectively referred to as "RSUs") 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. The performance-based RSUs 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.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Employee benefits (Continued)

(d) Share based compensation plans (Continued)

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.

2.11 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.

2.12 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.

2.13 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 services to a customer.

Turnover comprises income from services provided to other American Express Group companies. 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. The Company determines these revenues using either traditional transaction methods or transactional profit methods.

2.14 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 primarily to fund general purposes and liquidity needs and is recognised as incurred.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 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.

2.16 Critical accounting estimates and assumptions

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 judgement 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 judgments in applying accounting policies

The preparation of the financial statements involves a number of judgements. The items with a higher degree of judgement 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 16 for further details).

3. TURNOVER

Turnover solely comprises income from services provided to other American Express Group companies of £75.8m (2021: £69.7m).

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

4. STAFF COSTS

	2022	(Restated) 2021
	£000	£000
Wages and salaries	29,910	26,684
Social security costs	3,922	3,323
Pension costs	4,351	3,744
Stock compensation expense	1,972	1,325
	40,155	35,076

Included within wages and salaries is an amount of £0.3m (2021: £0.7m) related to restructuring expense.

Certain reclassification of prior period numbers have been made to confirm to current period presentation.

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

	2022	2021
	No.	No.
Global Network Services	86	92
Network and Acquirer Solutions	130	107
Accertify	31	32
Other business functions	27	26
Other support groups	20	23
	294	280

Restricted Stock Units or Awards (RSUs)

An 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.

RSU's containing only service conditions generally vest ratably over three years, or four years for awards granted prior to 2022, beginning with the first anniversary of the grant date. RSU'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 RSU's, so that American Express Company's actual shareholder return relative to a comparable peer group is one of the performance conditions that determines the number of shares ultimately granted upon vesting.

The fair value of RSUs that do not include the R-TSR modifier is determined using American Express Company's stock price on the date of grant and the performance-based RSUs that include the R-TSR modifier is determined using a Monte Carlo valuation model. All RSU holders receive non-forfeitable dividends or dividend equivalents. As of 31 December 2022, the total outstanding RSUs are expected to vest over a weighted average period of 0.96 years (2021: 1.13 years).

As at 31 December 2022 there were 32,505 (2021: 37,364) RSUs outstanding. During 2022, 11,583 (2021: 10,465) RSUs vested with a weighted average grant price of USD 102.65 each (2021: USD 99.66 each).

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

5. DIRECTORS' REMUNERATION

	2022 £000	2021 £000
Emoluments	525	385
Amounts receivable under long term incentive schemes	174	65
Pension costs	20	11
	<u>719</u>	<u>461</u>

The number of Directors to whom retirement benefits were accruing in respect of qualifying services during the year ended 31 December 2022 were as follows:

	2022 Number	2021 Number
Money purchase schemes	<u>3</u>	<u>3</u>

During the year four (2021: four) 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 Restricted Stock Awards ("RSA's") vesting in the year.

The following remuneration was earned by the highest paid Director:

	2022 £000	2021 £000
Emoluments including amounts receivable under long term incentive schemes	343	251
Pension Costs	7	10
	<u>350</u>	<u>261</u>

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.

One Director who served during the year is employed by and receives 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.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £000	2021 £000
Interest earned from Group undertakings	4,768	1,338
	<u>4,768</u>	<u>1,338</u>

Following interest rate reforms the Company has transitioned away from the use of the London interbank offered rate (LIBOR) and all rates were updated to alternative reference rates from 1 January 2022.

7. PROFIT BEFORE TAXATION

	2022 £000	2021 £000
Profit before taxation is stated after charging:		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	66	60
Depreciation of right of use assets	—	744
Operating lease rentals	<u>—</u>	<u>27</u>

Administrative expenses include staff costs and other administrative expenses.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

8. TAX ON PROFIT

The main rate of UK corporation tax is 19%. The differences between the taxation reflected in the financial statements and the amounts calculated at the statutory rate of 19% (2021: 19%) are as follows:

	2022 £000	2021 £000
Profit before taxation	25,641	25,982
Tax on profit at standard rate of 19% (2021: 19%)	4,872	4,937
<u>Adjusted for the effects of:</u>		
Non-deductible expenses/(non-taxable income)	30	(1)
Impact of changes in tax rates	(121)	(468)
Adjustments in respect of current income tax of prior years	(856)	(61)
Share based payments net tax deduction	93	52
Other	—	—
Total tax on profit	4,018	4,459

	2022 £000	(Restated) 2021 £000
<u>Current income tax</u>		
Current income tax	5,198	5,232
Adjustments in respect of current income tax of prior years	(856)	108
Total current tax	4,342	5,340
Deferred tax		
Origination and reversal of temporary differences	(203)	(245)
Prior year adjustments	—	(169)
Impact of change in tax rate	(121)	(467)
Total deferred tax	(324)	(881)
Income tax expense	4,018	4,459
Taxation on items not (credited) / charged to the income statement	2022 £000	2021 £000
Current tax credit		
Tax deduction on share options / awards in excess of expense recognised	(127)	(53)
Prior year adjustments	(223)	(36)
Deferred tax charge/ (credit):		
Tax deduction on share options / awards in excess of expense recognised	148	(157)
Adjustment for prior years	—	—
Impact of change in tax rate	8	(36)
	(194)	(282)

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

8. TAX ON PROFIT (Continued)

Factors affecting the tax charge for the year:

The Company's profits for this accounting year are taxed at a rate of 19%.

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. As this rate was substantively enacted at the year end, the deferred tax has been calculated at the rate of 25% on all the temporary differences except the share based payments which has been recognised at a blended rate.

Deferred tax

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

	Share Based Payments £000	Fixed Assets £000	Others £000	Total £000
At 1 January 2022	898	1,539	43	2,480
Deferred tax (charge)/credit to income statement for the period	64	149	(10)	203
Prior period adjustment to income statement	—	—	—	—
Prior period adjustment to equity	—	—	—	—
Tax rate change to income statement	77	47	(3)	121
Tax rate change to equity	(8)	—	—	(8)
Deferred tax (charge)/credit to equity	(148)	—	—	(148)
At 31 December 2022	883	1,735	30	2,648

	Share Based Payments £000	Fixed Assets £000	Others £000	Total £000
At 1 January 2021	614	763	29	1,406
Deferred tax (charge)/credit to income statement for the period	—	242	3	245
Prior period adjustment to income statement	3	165	1	169
Tax rate change to income statement	88	369	10	467
Prior period adjustment to equity	—	—	—	—
Tax rate change to equity	36	—	—	36
Deferred tax credit to equity	157	—	—	157
At 31 December 2021	898	1,539	43	2,480

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

9. DEBTORS

Debtors comprise:

	2022 £000	2021 £000
Loans to group undertakings	273,550	246,615
Amounts owed by group undertakings	9,879	13,938
Deferred tax asset (Note 8)	2,648	2,480
Other debtors	398	334
	<u>286,475</u>	<u>263,367</u>

The debtors above include the following non-current amounts:

	2022 £000	2021 £000
Deferred tax asset (Note 8)	2,648	2,480
	<u>2,648</u>	<u>2,480</u>

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

Loans to group undertakings represents unsecured loans extended by the Company to affiliates, which are repayable on demand. Interest is applied daily and cash settled monthly on any outstanding loan balance until the principal is repaid. Interest is computed on the basis of actual days elapsed and a year of 365 days. The carrying amount is deemed to approximate fair value due to the short term nature of the balances.

10. CASH AT BANK AND IN HAND

	2022 £000	2021 £000
Cash at bank and in hand	<u>1,314</u>	<u>1,278</u>

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 2022, amounted to £1,313,712 (2021: £1,278,101).

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

11. CREDITORS: amounts falling due within one year

	2022 £000	2021 £000
Amounts owed to group undertakings	1,833	1,849
Trade creditors	140	152
Other taxation and social security	1,055	870
Corporation Tax	5,071	5,180
Other creditors	1,369	1,355
Accruals	7,394	6,622
	16,862	16,028

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

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

Included within Creditors are £10.7m (2021: £10.0m) classified as financial liabilities, the maturity of which is no greater than 60 days.

12. LEASE LIABILITIES

There were no lease liabilities included in Creditors as at 31 December 2022 (2021: £Nil).

The total cash outflow for leases in 2022 was £Nil (2021: £859,484).

13. PROVISIONS FOR LIABILITIES

	Restructuring £000
Cost:	
At 1 January 2022	113
Increase in provision	366
Utilised during the year	(143)
Releases during the year	(79)
At 31 December 2022	257

Restructuring

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 typically will incur severance and other exit costs. During 2022 the Company recognised £0.4m (2021: £0.7m) of restructuring charges, and releases of £0.1m (2021: expense of £0.1m) for adjustments of previously accrued amounts due to revisions of prior estimates. Restructuring charges related to severance obligations are included in Administrative Expenses in the Company's income statement.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

14. CALLED UP SHARE CAPITAL

	2022 Number	2021 Number	2022 £	2021 £
<i>Authorised</i>				
Ordinary shares of £1 each	100,000	100,000	100,000	100,000
	100,000	100,000	100,000	100,000
<i>Issued, called up and fully paid</i>				
Ordinary shares of £1 each	1	1	1	1
	1	1	1	1

15. DIVIDENDS PAID

The Directors do not propose the payment of a dividend (2021: £nil).

16. PENSIONS

American Express provides retirement benefits through a variety of arrangements comprising defined benefit and defined contribution plans; the most material of which is the American Express UK Pension Plan ('the UK Plan').

The UK Plan and the related costs are assessed in accordance with the advice of qualified independent actuaries. The Plan identified has several participating employers sharing the risks between entities under common control. The UK Plan does 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 this scheme. None of the participating legal entities have been assessed as being sponsoring employers of this Plan. As a result, American Express UK legal entities account for this Plan as if it was a defined contribution arrangement with additional disclosure notes compliant with the IAS19 requirements for these types of arrangements. The information of this Plan as a whole is presented below.

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 9 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

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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.

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.

Key assumptions and valuation results

The key assumptions used to value the UK Plan's liabilities based on IAS19 requirements, together with the results obtained, are set out below.

Assumptions	Nominal % pa	
	2022	2021
Discount rate	4.80	1.85
Rate of increase in salaries	n/a	n/a
Social Security increases	n/a	n/a
Rate of pension increase in payment*	0.00 – 3.06	0.00 – 3.18
Rate of increase in price inflation		
RPI**	3.25	3.50
CPI**	2.75	3.00
Mortality table	SAPS S3 mortality table CMI 2021 model (with smoothing and Covid experience adjustment) with trend of 1.50% per annum	SAPS S3 mortality table CMI 2020 model with trend of 1.50% per annum

* post 88 GMP = 2.27%; pre 1997 excess = 0%; April 1997 to April 2005 = 3.06%; post April 2005 = 2.05%

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

The table below shows the value of IAS19 liabilities and assets as at 31 December 2022.

IAS19 Defined Benefit Obligation and Market Value of Assets	2022 (£m)	2021 (£m)
Present value of Plan liabilities	(871.1)*	(1,263.9)*
Market value of assets**	839.9*	1,229.7*
(Deficit)	(31.2)	(34.2)
Sensitivity analysis - 2022 Defined Benefit Obligation		
Discount rate assumption being 1% higher	784.3*	
Discount rate assumption being 1% lower	977.5*	

* Includes £56m of Additional Voluntary Contributions (AVC's) (2021: £73m)

** There are no self-invested assets in the UK Plan

As a result of the 2018 and 2021 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.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2022

16. PENSIONS (Continued)

The UK Plan's major asset categories are shown in the table below:

Asset Allocation as at 31 December		
	2022	2021
	£m	£m
Domestic equities	12.0	15.2
Foreign equities	175.0	212.7
Government bonds*	259.5	518.7
Corporate bonds	52.8	54.3
Buy-in contract	161.0	235.7
Additional voluntary contributions	56.5	72.8
Cash and cash equivalents	31.5	35.5
Other	91.6	84.8
Total	839.9	1,229.7

*Includes Liability Driven Portfolio

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 £161.0m 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 £171.7m mainly attributable to the pensioner buy-in contract).

The assets and liabilities shown above include defined contribution assets and liabilities (from AVCs) as at 31 December 2022.

Contributions

The total employer contributions to the UK Plan during the calendar years 2022 and 2021 and expected for 2023 are summarised in the table below (the Company specific contributions are detailed within note 4):

	2023 Expected Contributions (£m)	Actual 2022 Contributions (£m)*	Actual 2021 Contributions (£m)*
Contributions	21.4	23.8	21.4

* In addition during 2022, the employer contributed £43.3m (2021: £31.7m) (including salary sacrifice contributions) to the defined contribution Stakeholder Plan in the UK.

American Express Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

17. RELATED PARTY TRANSACTIONS

The Company had no transactions with Directors or Key Management Personnel during the year ended 31 December 2022 (2021: nil) except for the transactions relating to Director emoluments disclosed in Note 5.

18. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.