NewDay Cards Ltd

Company No. 04134880

Statutory Financial Statements

31 December 2016

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Contents

General information

Directors

Mr J Corcoran
Mr P Sheriff

Company Secretary

Mr S Rowland

Registered Office

Two Pancras Square
London
N1C 4AG

Solicitor

Slaughter and May
1 Bunhill Row
London
EC1Y 8YY

Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Strategic report

The Directors present their report, Strategic report and the audited financial statements of NewDay Cards Limited (the "Company") for the year ended 31 December 2016.

Principal activity

NewDay Cards Ltd is a wholly owned subsidiary of NewDay Group Ltd which itself is a subsidiary of NewDay Group Holdings S.à r.l., the ultimate parent of the NewDay Group (the "Group"). The principal activity of the Company in the year was that of portfolio servicing for the Group's Near-prime credit cards which contains the aqua, marbles and Opus brands held by NewDay Funding Transferor Ltd ("NFT"), and Co-brand credit and store cards and point of sale finance held within NewDay Partnership Transferor Plc ("NPT"). The Company recharges NFL and NPT for costs incurred in servicing these portfolios. The servicing agreement specifies which costs are to be recharged. A mark-up of 30% is specified for some costs.

The Company has been authorised, through its subsidiary NewDay Ltd, as an Authorised Payment Institution by the Financial Conduct Authority ("FCA").

Review of the Company's business and future developments

Operating income increased by 17% in the year to £177.1m (2015: decrease of 16% to £151.0m) reflecting an increase in overhead expenses incurred and recharged whilst cost of sales increased by 6% to £82.4m (2015: decrease of 15% to £77.4m). This drove an increase in gross profit to £94.7m (2015: decrease of 17% to £73.5m). Personnel expenses increased by 25% to £60.4m (2015: increase of 75% to £48.3m) as a result of higher staff numbers to service the card portfolios and a provision for an all college cash award bonus. Other operating expenses increased by 43% to £37.2m (2015 decrease of 55% to £26.1m) largely due to an increase in current year project costs to £20.7m (2015: decrease to £11.1m). Overall loss after tax for the year was £4.5m (2015: profit of £1.5m).

The Company is continuing to undertake various projects to assist in the growth of the NewDay Group's portfolios. The Company will receive increased servicing fee income as a result of the increase in expenditure.

Principal risks and uncertainties

The overall risk appetite of the Company is low which is reflected in the structuring of and the flow of payments of the transactions it is a party to. The Company applies the NewDay Group Holdings S.à r.l. formal structure for managing risk. This includes identification, management and mitigation of risks using the Group's Risk Management Framework and is supported through the Group's use of the standard three lines of defence model to protect the lenders, borrowers and shareholders. The principal risks faced by the Company are credit risk, liquidity, funding and cash management risk, regulatory risk, operational risk, strategic risk and macro-economic risk. A summary of these risks are included below:

Credit risk

Credit risk is the risk of loss arising from counterparty defaults, most significant of which are credit card customer defaults. All credit card balances reside on the balance sheet in NFT and NPT and therefore the Company has no direct exposure to customer defaults. The key debtors to the Company are the two aforementioned Companies, and based on the structure and the payment agreements governing the payments between them, the Company is amongst the most senior of the creditors with regards collecting of cash payment of the receivables. This creates a low credit risk for the Company. The maximum exposure to credit is represented by the receivables balances on the balance sheet. Credit risk is monitored to ensure that the Company's debtors are able to meet their obligations to the Company when due.

Liquidity, funding and cash management risk

Liquidity, funding and cash management risk is the risk that the Company is not able to meet its liabilities when they are due under normal conditions, and under a liquidity stress as defined by the internal stress requirements computed and analysed at the Group level or can do so only at excessive cost. Liquidity risk is managed by ensuring the Company is sufficiently capitalised and has adequate working capital to meet its day-to-day operating requirements.

Strategic report (continued)

Regulatory risk

Regulatory risk is the risk of loss arising from a breach of existing regulations or that the Company does not adhere to the changing regulatory environment in which it operates. The Company operates in an environment where regulatory scrutiny is increasing. The risk is mitigated through the use of external legal advice where necessary, engagement with any relevant bodies and ongoing review of compliance undertaken by the legal and conduct advisory team.

Full regulatory compliance, reporting and monitoring is provided by the Company under the servicing agreement and falls under the Group wide regulatory compliance framework, which includes periodic compliance updates and where appropriate escalation by exception. The Directors are confident that the Company is well placed to meet all of its regulatory requirements.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes IT, information security, project, outsourcing, tax, legal, fraud and compliance risks.

Certain elements of the Company's operations in respect of the servicing of cardholders' accounts on behalf of NFT and NPT are outsourced to major card issuers and a major card service provider under separate Card Servicing Agreements ("CSA"). Each CSA details certain minimum servicing levels across all cardholders. Management constantly monitor these service levels and financial penalties are applied for pre-determined breaches.

Strategic risk

Strategic risk is the risk arising from a sub-optimal business strategy or business model that may lead to financial loss, reputational damage or failure to meet internal and/or public policy objectives. The Company mitigates against this risk through the development and implementation of an annual review process along with a defined budgeting process aligned with the Company's strategic objectives.

Macro-economic risk

Macro-economic risk is the risk that adverse movements in economic trends in the UK affect the anticipated returns and business strategy of the Company. To mitigate against this risk, the Board in setting the Company strategy and risk appetite pays close attention to the impact of the economic outlook and assess the principal risks the Company faces on a quarterly basis through the risk radar. In addition the stress testing framework that is in place allows the business to understand the impact of economic drivers on the financial strength of the Company.

Key performance indicators

The Directors monitor the performance of the Company by reference to servicing income in relation to operating expenses incurred. In the current year there was a pre-tax deficit of income over expense amounting to £2.7m (31 December 2015: surplus £2.2m) principally due to a one off all colleague cash award bonus provision. After adjusting for this one off payment the total servicing income derived from both NFT and NPT was sufficient to cover direct and specified costs incurred on behalf of the portfolios. The increase in income is primarily due to the nature of costs incurred which resulted in increased recharge income.

Results and dividends

The audited financial statements and associated notes to the accounts for the Company, for the year ended 31 December 2016 are set out on pages 9 to 31. The loss for the year to 31 December 2016 after taxation was £4.5m (31 December 2015: Profit of £1.5m) as shown in the Statement of Profit and Loss and Other Comprehensive Income on page 9.

The Directors do not propose the payment of a dividend for the year ended 31 December 2016.

On behalf of the Board

Mr J Corcoran
Director
2 March 2017

Directors' report

The Directors present their report for the year ended 31 December 2016.

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Companies Act 2006.

Directors

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

Mr J Corcoran	
Mr P Sheriff	(appointed 15 March 2016)
Mr D Richards	(resigned 15 March 2016)

All Directors were Executive Directors. The Directors benefited from qualifying third party indemnity provisions in place during the year ended 31 December 2016.

Corporate governance statement

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls, however due to the nature and extent of the Company's operations, it faces limited financial risk exposure. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

The financial statements are prepared under International Financial Reporting Standards ("IFRS") and key balances are reconciled on a regular basis to relevant information to ensure their integrity.

Going concern

The Company is dependent on NFT and NPT for the receipt of servicing income. NFT and NPT are exposed to uncertainties around the strength of the overall economy and the UK consumer credit market.

Although uncertainties remain, the Directors believe that existing plans and projections of business performance will allow the Company to continue to meet all of its current obligations, including financial covenants and cash requirements for the foreseeable future. Given the uncertainty, and that the forecasts are based on judgemental assumptions the Directors have considered the consequent risks facing the Company during the foreseeable future together with the substantial mitigants within their direct control, and are satisfied that the mitigants are deemed more than sufficient to offset and remedy the potential risks such that it is appropriate to adopt the going concern basis in preparing the financial statements.

Disabled persons

The Company is committed to the recruitment, training, career development and promotion of disabled persons, having regard to their particular aptitudes and abilities, and to retain and retrain colleagues who become disabled while in the employment of the Company.

Directors' report (continued)

Auditor and disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, as far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all of the steps that they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Company's Auditor is aware of that information.

Auditor

KPMG LLP is the Auditor of the Company. Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Strategic report

In accordance with Section 414(c) of the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, the Company has prepared a Strategic Report that contains information that would have previously been included in the Directors Report.

These financial statements were authorised for issue on behalf of the Board:

Mr J Corcoran
Director
2 March 2017

Statement of Directors' responsibilities in relation to the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRS as adopted by the EU.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board

Mr J Corcoran
Director
2 March 2017

Independent auditor's report

We have audited the financial statements of NewDay Cards Ltd for the year ended 31 December 2016 set out on pages 9 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

This report is made solely to the Company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

2 March 2017

Statement of profit and loss and other comprehensive income

for the year ended 31 December 2016

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Revenue	4	177,119	150,954
Cost of Sales	5	(82,420)	(77,446)
Gross Profit		**94,699**	**73,508**
Personnel expense	6	(60,393)	(48,273)
Depreciation of property and equipment	17	(1,408)	(1,386)
Amortisation of intangible asset	17	(137)	(3)
Other operating expenses	7	(37,208)	(26,051)
Other income	8	2,200	3,950
Operating (loss) / profit		**(2,247)**	**1,745**
Finance income	9	168	626
Finance expense	10	(694)	(121)
(Loss) / profit before income tax		**(2,773)**	**2,250**
Income tax charge	11	(1,724)	(712)
(Loss) / profit on ordinary activities after taxation		**(4,497)**	**1,538**
Other comprehensive income		-	-
(Loss) / profit for the year after other comprehensive income		**(4,497)**	**1,538**

The profit is derived from continuing operations and all activities are based in the UK.

The notes on pages 13 to 31 form an integral part of these financial statements.

Statement of financial position

as at 31 December 2016

	Note	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Assets			
Non-current assets			
Property and equipment	17	6,015	6,041
Intangible assets	17	3,951	21
Investments	18	15,810	2,522
Total non-current assets		**25,776**	**8,584**
Current assets			
Loans and advances to banks	12	20,842	15,043
Other assets	13	49,443	30,570
Current tax receivable	11	850	439
Total current assets		**71,135**	**46,052**
Total Assets		**96,911**	**54,636**
Liabilities			
Current liabilities			
Current tax liabilities	11	1,035	273
Other liabilities	14	59,352	34,622
Provisions	15	10,336	2,231
Total current liabilities		**70,723**	**37,126**
Non-current liabilities			
Deferred taxation	16	17	130
Total non-current liabilities		**17**	**130**
Total Liabilities		**70,740**	**37,256**
Capital & Reserves			
Share capital	19	3,340	3,340
Share premium	19	11,096	11,096
Capital contribution	19	22,699	9,411
Retained earnings		(10,964)	(6,467)
Total Equity		**26,171**	**17,380**
Total Liabilities and Equity		**96,911**	**54,636**

The notes on pages 13 to 31 form an integral part of these financial statements. The financial statements on pages 9 to 31 were approved by the Directors on 2 March 2017 and signed on its behalf by:

Mr J Corcoran
Director

Company No. 04134880

Statement of changes in equity

for the year ended 31 December 2016

	Share capital	Share premium	Capital contribution	Retained losses	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 January 2016	3,340	11,096	9,411	(6,467)	**17,380**
Loss for the year	-	-	-	(4,497)	**(4,497)**
Other comprehensive income	-	-	-	-	-
Transactions with owners:					
Capital contribution	-	-	13,288	-	**13,288**
At 31 December 2016	**3,340**	**11,096**	**22,699**	**(10,964)**	**26,171**

	Share capital	Share premium	Capital contribution	Retained losses	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	3,340	11,096	9,411	(8,005)	**15,842**
Profit for the year	-	-	-	1,538	**1,538**
Other comprehensive income	-	-	-	-	-
At 31 December 2015	**3,340**	**11,096**	**9,411**	**(6,467)**	**17,380**

The notes on pages 13 to 31 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2016

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Operating activities			
(Loss) / profit before tax		(2,773)	2,250
Adjustments for:			
Depreciation of property and equipment	17	1,408	1,386
Amortisation of intangible assets	17	137	3
Loss on disposal of property and equipment		-	421
Increase in provisions	15	7,976	800
Finance income	9	168	626
Finance expense	10	(694)	(121)
Dividend income	8	(2,200)	(3,950)
Tax paid		(1,074)	(727)
Working capital adjustments:			
Increase in loans and advances to banks	12	-	6,000
Increase in receivables	13	(18,276)	(1,722)
Increase / (decrease) in payables	14	26,930	(15,531)
Increase in income tax receivable		(411)	(16)
Interest paid		(72)	(492)
Net cash flows generated in / (used) in operating activities		**11,119**	**(11,073)**
Investing activities			
Purchase of property and equipment	17	(1,253)	(2,512)
Purchase of intangibles	17	(4,067)	-
Net cash flows used in investing activities		**(5,320)**	**(2,512)**
Net increase / (decrease) in cash and cash equivalents		5,799	(13,585)
Cash and cash equivalents at beginning of year		15,043	28,628
Cash and cash equivalents at end of year		**20,842**	**15,043**

The notes on pages 13 to 31 form an integral part of these financial statements.

Notes to the financial statements

1. General information

1.1 Incorporation information

NewDay Cards Ltd was incorporated and domiciled in England and Wales on 3 January 2001. It was incorporated as SAV Credit Limited but changed its name to NewDay Cards Ltd on 1 April 2014.

1.2 Authorisation of financial statements

The financial statements of NewDay Cards Ltd for the year ended 31 December 2016 were authorised for issue by the Directors on 2 March 2017.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and the International Financial Reporting Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared on an amortised cost basis. The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis as outlined in the statement of Director's responsibilities.

Presentation of financial statements

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

2.2 Summary of significant accounting policies

(1) Foreign currency translation

The functional and presentational currency of the Company is Sterling (£). The Company transacts mainly in Sterling. Transactions that are not Sterling denominated are recorded at the rate of exchange ruling at the date of the transaction.

(2) Recognition of income and expenses

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue primarily comprises service fees, which are recognised when they become due in accordance with contractual agreements between the Company and NFT and NPT.

(ii) Cost of Sales

Cost of sales are recognised to the extent that the amounts have been incurred and the amounts can be measured reliably. Cost of sales are incurred in the day-to-day servicing of the Near Prime and Co-brand credit card portfolios and is predominantly made up of marketing, advertising, call centre support and various other IT and administrative charges.

Notes to the financial statements (continued)

(iii) Personnel expenses

The entity applies IAS 19 'Employee Benefits' in its accounting for most of the components of staff costs. Short-term employee benefits including salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the services.

(iv) Defined contribution pension plan

The Company operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded in the income statement as a personnel expense on an accruals basis. Unpaid contributions are recorded as an accrual in the balance sheet.

(v) Operating Leases

The determination of whether an arrangement is a lease or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use an asset.

Leases that do not transfer to the Company substantially all the risks and rewards incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred. A lease is classified at the inception date as either a finance lease or an operating lease.

Dilapidations are provided for on leasehold properties where the terms of the lease require the tenant to make good any changes made to the property at the end of the lease period. The provision is discounted over the remaining period of the lease at the risk-free rate.

(3) Loans and advances to banks

Loans and advances to banks, as referred to in the balance sheet and in the statement of cash flows, comprise cash and cash equivalents, un-restricted current accounts, restricted cash as detailed in note 12 and amounts due on demand or with an original maturity of three months or less.

(4) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit and loss and other comprehensive income net of any reimbursement.

(5) Taxation

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rate and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related tax asset is realised or the tax liability is settled. Deferred tax assets are recognised only when it is probably that future taxable profits will be available against which these temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Notes to the financial statements (continued)

(6) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the date the Company becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value adjusted for transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit and loss.

(7) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
- the Company has transferred substantially all the risks and rewards of the asset; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the consolidated income statement.

(8) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(9) *Property and equipment*

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

• Computer hardware	3 years
• Fixtures and fittings	3 years
• Leasehold improvements	Over the life of the lease

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Other operating expenses in the income statement in the period the asset is derecognised.

Notes to the financial statements (continued)

(9) Property and equipment (continued)

Assets in the course of construction are capitalised at cost. No depreciation is charged to the statement of profit and loss until such time the assets are brought into use.

(10) Intangibles

The entities intangible assets relate to acquired trademarks, project costs that meet the definition of an intangible and project intangibles work in progress.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Trademarks — 10 years
- Project assets — Over the expected life of the project

Project assets in the course of construction are capitalised at cost when this cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. No amortisation is charged to the statement of profit and loss until such time the assets are brought into use.

(11) Investment in subsidiaries

Investments in subsidiaries are valued at cost less a provision for impairment where this is required. Investments in subsidiaries are included in the Company's balance sheet comprising equity investments in the subsidiary entities. At each reporting date an assessment is undertaken to determine if there is any indication of impairment.

The Company has elected to prepare separate financial statements and applied the exemption from consolidation available under IAS 27. The financial statements of the Company and its subsidiaries, as listed in note 18, are consolidated into the financial statements of NewDay Group Holdings S.à r.l..

The Company has an investment in certain equity shares of Invicta EuroCard Services L.P. These equity shares have been classified as fair value through profit and loss. The Company is not able to exercise significant influence or control over Invicta EuroCard Services L.P..The investment, by way of an Employee Benefit Trust, is treated as a branch of NewDay Cards Limited and consolidated into the Company financial statements.

(12) Share Capital

The Company applies IAS 32 'Financial Instruments: Presentation' to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Company having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs.

(13) Dividends payable or receivable on ordinary shares

Dividends on ordinary shares are recognised as a liability and are deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the period that are approved after the reporting date are disclosed as an event after the balance sheet date.

Dividends received are included in the Company's financial statements in the period in which the related dividends are paid or, in respect of a final dividend for the year, approved by the shareholders.

2.3 Significant accounting judgements, estimates and assumptions

The Company has made no significant judgements, estimates or assumptions in the year.

2.4 Adoption of new and revised standards

The following new standards, interpretations and amendments to existing standards are mandatory for the first time for the year ended 31 December 2016 but do not have a significant impact on the Company:

- Annual improvements to IFRSs 2012-2014 cycle;
- Amendments to IAS 1 'Presentation of Financial Statements';
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'; and
- Amendments to IAS 27 'Separate Financial Statements'.

2.5 Standards issued but not yet effective

The following accounting standards and interpretations have been issued by the IASB but have not yet been early adopted by the Company:

- IFRS 9 'Financial Instruments'. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 'Financial Instruments: Recognition and Measurement' categories of held to maturity, loans and receivables and available for sale.
  IFRS 9 also replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases:
    -12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
    - lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.
  Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.
  The effective date for this standard is 1 January 2018. The impact of adopting IFRS 9 on the Company's Financial Statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Company continues to assess the impact and our project for implementation is progressing in line with our internal plan. The Company intends to perform a parallel run during the second half of 2017 to gain a better understanding of the potential effect of the new standard and for the governance framework to gain experience. The standard is expected to have a significant impact on the Company's financial statements;
- IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 supersedes IAS 11 'Construction Contracts' and IAS 18 'Revenue' and sets out the requirements for recognising revenue that applies to contracts with customers, except for those revenue items that are covered by standards on leases, insurance contracts and financial instruments. This standard becomes effective on 1 January 2018 and the Company is currently performing a detailed assessment of the impact resulting from the application of IFRS 15;
- IFRS 16 'Leases'. IFRS 16 eliminates the classification of leases as either operating or finance leases and introduces a single lessee accounting model. Lessees will recognise a right-of-use asset and a corresponding lease liability. The asset will be amortised over the length of the lease and the financial liability will be measured at amortised cost. This standard is expected to become effective on 1 January 2019 and the Company is assessing the impact resulting from the application of IFRS 16;

Notes to the financial statements (continued)

2.5 Standards issued but not yet effective (continued)

- Amendments to IAS 7 'Statement of Cash Flows'. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flow and non-cash changes. The effective date for this standard is 1 January 2017;
- Amendments to IAS 12 'Income Taxes'. The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The effective date for this standard is 1 January 2017;
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. The amendment resolves the conflict between the existing guidance on consolidation and equity accounting; and
- Annual improvements to IFRSs 2014-2016 cycle.

3. Segment information

The profit for the year is derived from a single continuing activity. The Company operates in a single business segment and all of its activities are in the UK. The Company does not have any significant industry or concentration exposure.

4. Revenue

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Service fee income	175,169	150,954
Other fees	1,950	-
	177,119	**150,954**

Service fee income is derived from NPT and NFL and is calculated by recharging servicing costs and operating expenses incurred as governed by the servicing agreement.

5. Cost of Sales

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Servicing costs	59,839	51,337
Advertising and marketing	22,581	26,109
	82,420	**77,446**

6. Personnel expense

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	49,985	38,871
Social security costs	5,346	3,720
Defined contribution pension contributions	2,636	1,678
Other staff costs	2,426	3,004
Restructuring costs	-	1,000
	60,393	**48,273**

Notes to the financial statements (continued)

6. Personnel expense (continued)

Staff numbers for the year were:

	Year ended 31 December 2016 No's	Year ended 31 December 2015 No's
Average number of employees (FTEs)	724	695
Number of employees (FTEs) as at 31 December	780	691

The Company, through the Group, operates a management incentive plan in which certain employees and Directors of the Group invest in participating interests of Invicta EuroCard Services L.P., the controlling party of NewDay Group Holdings S.à r.l.. These participating interests are treated as equity-settled shares under IFRS 2 'Share-based payment'.

Investments in participating interests by the employees and Directors during 2016 were made at fair value. As such no share-based expense has been recognised in the statement of comprehensive income (2015: £nil).

	Maximum balance during the year £'000	Year ended 31 December 2016 £'000	As at 31 December 2016 £'000
Directors and key management remuneration and transactions			
Emoluments	n/a	5,622	n/a
Pension contributions	n/a	257	n/a
Highest paid Director	n/a	1,257	n/a
Highest paid Director pension contribution	n/a	115	n/a
Loans to Directors and key management personnel	3,361	n/a	3,361

	Maximum balance during the year £'000	Year ended 31 December 2015 £'000	As at 31 December 2015 £'000
Directors and key management remuneration and transactions			
Emoluments	n/a	4,763	n/a
Pension contributions	n/a	200	n/a
Highest paid Director	n/a	1,123	n/a
Highest paid Director pension contribution	n/a	48	n/a
Loans to Directors and key management personnel	2,704	n/a	2,704

Directors emoluments for the year total £1,973,000 (2015: £1,123,000) and Directors pension contributions £115,000 (2015: £48,000) and are included in the above figures.

7. Other operating expenses

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Administrative cost and commissions to retailers	9,463	5,011
Professional fees	3,540	3,582
IT and communications	3,415	4,675
Project expenses	20,370	11,105
Other	420	1,678
	37,208	**26,051**

Notes to the financial statements (continued)

7. Other operating expenses (continued)

Professional fees include fees payable to the Auditor KPMG LLP in *relation to:*	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Audit of these financial statements	75	75
Other assurance services	336	-
Tax compliance services	67	-
Corporate finance services	780	-
	1,258	**75**

The Auditor is permitted to undertake work in other areas where it is the most suitable supplier and the terms and conditions of the engagement, including the fee, do not impair its objectivity or independence. During 2016, the Group engaged KPMG to undertake corporate finance services as Värde Partners explored opportunities for the sale of the Group.

The company has made the following payments under operating leases during the year:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Land and buildings	1,503	1,576
	1,503	**1,576**

8. Other income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Dividends received	2,200	3,950
	2,200	**3,950**

9. Finance income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest income from banks	18	32
Interest income from group entities	-	460
Other interest income	150	134
	168	**626**

Other interest income is derived from loans to certain Directors as detailed at note 13.

Notes to the financial statements (continued)

10. Finance expense

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest due to banks	78	18
Other interest expense	616	103
	694	**121**

Other interest expense relates to interest charged on costs incurred on a loan from the ultimate parent company NewDay Group Holdings S.à r.l..

11. Income tax charge

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Income tax:		
Current taxation	1,571	273
Under provision in respect of previous year	266	309
Total income tax charge	**1,837**	**582**
Deferred tax:		
Current year deferred tax (credit) / charge	(113)	130
Total deferred tax (credit) / charge	**(113)**	**130**
	1,724	**712**

For the period from 1 January 2015 to 31 March 2015, the enacted UK corporation tax rate was 21%. For the period from 1 April 2015 to 31 December 2016 the enacted UK corporation tax rate was 20%. The average tax rate, assessed for the year is calculated at 20% (2015: 20.25%). From 1st April 2017 the rate will be 19% with a further reduction to 18% from 1st April 2020.

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Loss / (profit) on ordinary activities before taxation	(2,773)	2,250
Tax (credit) / charge at UK corporation tax rate 20% (2015: 20.25%)	(555)	456
Effects of:		
Disallowable items	2,166	73
Group relief from other group companies	(153)	(126)
Provision for prior year tax	266	309
Current taxation	**1,724**	**712**

Notes to the financial statements (continued)

11. Income tax charge (continued)

There were no amounts of tax recognised through the statement of comprehensive income in the year.

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Income tax receivable (note 13)	850	439
Income tax payable	(1,035)	(273)

12. Loans and advances to banks

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Cash at bank	20,842	15,043
Amounts included within cash and cash equivalents	**20,842**	**15,043**

Cash at bank balances are held with large retail UK based banks. Restricted cash amounted to £nil at 31 December 2016 (2015: £nil).

13. Other assets

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Amounts due from Group entities	33,401	24,034
Loans and receivables	4,977	3,344
Other assets	-	6
Prepayments and accrued income	11,065	3,186
	49,443	**30,570**

Included within Loans and receivables are certain loans extended to Directors, key management personnel and other staff of NewDay Cards Ltd. Interest ranging from 4% to 5% is payable on these loans to the Company. Certain loans include debt forgiveness clauses which are dependent upon certain targets being achieved. As at 31 December 2016, the loans are included in the financial statements at a value of £3,883,000 (2015: £2,900,000). These values takes into account any debt forgiveness clauses which have been partially met or are forecast to be met in the future.

Corporation tax due in respect of these loans of £850,000 (2015: £439,000) is repayable on repayment of the loans and is included within tax receivables.

As a result of the acquisition referred to in note 23 the Directors' loans detailed above were repaid on 26 January 2017.

Notes to the financial statements (continued)

14. Other liabilities

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Trade payable and accruals	41,186	24,974
Amounts due to Group entities	16,222	9,389
Pension contributions	374	259
Other liabilities	1,570	-
	59,352	**34,622**

15. Provisions

	Other provisions £'000	Dilapidation provisions £'000	Total provisions £'000
At 1 January 2016	800	1,431	2,231
Arising during the year	8,872	33	8,905
Utilised during the year	(800)	-	(800)
At 31 December 2016	**8,872**	**1,464**	**10,336**

	Other provisions £'000	Dilapidation provisions £'000	Total provisions £'000
At 1 January 2015	-	1,387	1,387
Arising during the year	927	44	971
Utilised during the year	(127)	-	(127)
At 31 December 2015	**800**	**1,431**	**2,231**

A dilapidation provision of £1.5m (2014: £1.4m) is held as at 31 December 2016 for dilapidation of our Leeds and London leased offices. This has been discounted over the remaining period of the lease at the risk-free rate.

Other provisions include redundancy costs, administrative expenses in relation to a refund of default fees to customers and an all college cash award bonus.

Notes to the financial statements (continued)

16. Deferred tax

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
At 1 January 2016	130	-
(Credited) / charged to statement of profit and loss	(113)	130
At 31 December 2016	**17**	**130**

Provision for deferred taxation has been made as follows:

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Short term timing differences	-	(94)
Excess of capital allowances over depreciation	17	224
	17	**130**

17. Property, equipment and intangible assets

	Assets under construction £'000	Computer hardware £'000	Fixtures and fittings £'000	Leasehold improvements £'000	**Total property and equipment £'000**
Cost at 1 January 2016	-	1,335	1,625	5,641	**8,601**
Additions	365	905	112	-	**1,382**
Cost at 31 December 2016	365	2,240	1,737	5,641	**9,983**
Depreciation at 1 January 2016	-	(936)	(738)	(886)	**(2,560)**
Charges for the year	-	(265)	(508)	(635)	**(1,408)**
Depreciation at 31 December 2016	-	(1,201)	(1,246)	(1,521)	**(3,968)**
Net book value at 31 December 2016	**365**	**1,039**	**491**	**4,120**	**6,015**
Net book value at 31 December 2015	-	399	887	4,755	6,041

Notes to the financial statements (continued)

17. Property, equipment and intangible assets (continued)

	Computer hardware	Fixtures and fittings	Leasehold improvements	**Total property and equipment**
	£'000	£'000	£'000	**£'000**
Cost at 1 January 2015	1,720	1,204	3,771	**6,695**
Additions	267	421	1,870	**2,558**
Disposals	(652)	-	-	**(652)**
Cost at 31 December 2015	1,335	1,625	5,641	**8,601**
Depreciation at 1 January 2015	(863)	(248)	(294)	**(1,405)**
Charges for the year	(304)	(490)	(592)	**(1,386)**
Disposals	231	-	-	**231**
Depreciation at 31 December 2015	(936)	(738)	(886)	**(2,560)**
Net book value at 31 December 2015	**399**	**887**	**4,755**	**6,041**
Net book value at 31 December 2014	857	956	3,477	5,290

	Project assets	Project work in progress	Trademarks	**Total intangible assets**
	£'000	£'000	£'000	**£'000**
Cost at 1 January 2016	-	-	30	**30**
Additions	138	3,929	-	**4,067**
Transfers from work in progress	2,959	(2,959)	-	**-**
Cost at 31 December 2016	3,097	970	30	**4,097**
Amortisation at 1 January 2016	-	-	(9)	**(9)**
Charges for the year	(134)	-	(3)	**(137)**
Amortisation at 31 December 2016	(134)	-	(12)	**(146)**
Net book value at 31 December 2016	**2,963**	**970**	**18**	**3,951**
Net book value at 31 December 2015	-	-	21	21

	Trademarks	**Total intangible assets**
	£'000	**£'000**
Cost at 1 January 2015	30	**30**
Cost at 31 December 2015	30	**30**
Amortisation at 1 January 2015	(6)	**(6)**
Charges for the year	(3)	**(3)**
Amortisation at 31 December 2015	(9)	**(9)**
Net book value at 31 December 2015	**21**	**21**
Net book value at 31 December 2014	24	24

Notes to the financial statements (continued)

18. Investment in subsidiaries

The Company has investments in the following subsidiary undertakings:

NewDay Reserve Funding Ltd	100% holding in ordinary shares
NewDay Ltd	100% holding in ordinary shares

The registered office of both entities is 2 Pancras Square, London, NC1 4AG.

Additionally in the current year the Company has made an equity investment in EuroCard Services L.P.

Called up share capital	*Issued share capital*	
	Number of shares	Nominal value £
NewDay Reserve Funding Ltd	2	2
NewDay Ltd	1,166,933	1,166,933

The Directors reviewed the carrying value of the investments and concluded that no impairment is required.

In 2016 the Company made an investment in certain equity shares of Invicta EuroCard Services L.P. with a fair value of £13.3m. These equity shares have been classified as fair value through profit and loss. The Company is not able to exercise significant influence or control over Invicta EuroCard Services L.P..

Investment – 2016	**Equity investment**	**NewDay Reserve Funding Ltd**	**NewDay Ltd**	**Total**
	£'000	£'000	£'000	£'000
Cost brought forward – 1 January 2016	-	-	2,522	2,522
Addition	13,288	-	-	13,288
At cost carried forward – 31 December 2016	**13,288**	-	**2,522**	**15,810**

Investment – 2015	**NewDay Reserve Funding Ltd**	**NewDay Ltd**	**Total**
	£'000	£'000	£'000
Cost brought forward – 1 January 2015	-	2,522	2,522
At cost carried forward – 31 December 2015	-	**2,522**	**2,522**

The principal place of business of both NewDay Reserve Funding Ltd and NewDay Ltd is in the United Kingdom.

Notes to the financial statements (continued)

19. Share capital and reserves

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Share capital	3,340	3,340
Capital contribution	22,699	9,411
Share premium	11,096	11,096
	37,135	**23,847**

Called up and fully paid share capital Ordinary shares (£0.10)	*Issued share capital* Number of shares	Nominal value £'000
Subscriber shares on incorporation	33,400,695	3,340
Issue of shares	-	-
As at 31 December 2016	**33,400,695**	**3,340**

Called up and fully paid share capital Ordinary shares (£0.10)	*Issued and fully paid* Number of shares	Nominal value £'000
Subscriber shares on incorporation	33,400,695	3,340
Issue of shares	-	-
As at 31 December 2015	**33,400,695**	**3,340**

The Company was incorporated on 3 January 2001 with an authorised share capital of 33,400,695 £0.10 ordinary shares.

The shares are non-redeemable and hold full rights in respect of voting and entitle the holders to full participation in respect of equity and in the event of winding up of the company. The share capital is wholly-owned by NewDay Group Ltd.

The capital contribution from Invicta EuroCard Services L.P. was made to fund the all colleague bonus plan payable to employees upon completion of the sale of the Group from Värde Partners to funds advised by Cinven and CVC. The contribution is to be utilised when the bonus is paid.

In accordance with the Companies Act 2006, the Company has no authorised capital other than its issued capital. These shares rank equally in respect of rights attached to voting, dividends and in the event of winding up of the Company. No dividend was proposed or paid during the year.

The Company's capital is represented by the capital and reserves attributable to equity holders. The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act 2006, with which it complies. The Company manages its capital and reserves in order that there is sufficient capital to meet the needs of the Company in its operations.

Notes to the financial statements (continued)

20. Fair value of financial instruments

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Fair value of financial instruments carried at cost

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments. In the period all financial assets were classified as loans and receivables.

As at 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Carrying amount £'000	Total fair value £'000
Financial assets					
Loans and advances to banks	-	20,842	-	20,842	20,842
Other assets	-	34,495	3,883	38,378	38,378
Equity investments	-	-	15,810	15,810	15,810
Total financial assets	**-**	**55,337**	**19,693**	**75,030**	**75,030**
Financial liabilities					
Other liabilities	-	(58,978)	-	(58,978)	(58,978)
Total financial liabilities	**-**	**(58,978)**	**-**	**(58,978)**	**(58,978)**

As at 31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Carrying amount £'000	Total fair value £'000
Financial assets					
Loans and advances to banks	-	15,043	-	15,043	15,043
Other assets	-	24,484	2,900	27,384	27,384
Equity investments	-	-	2,522	2,522	2,522
Total financial assets	**-**	**39,527**	**5,422**	**44,949**	**44,949**
Financial liabilities					
Other liabilities	-	(34,363)	-	(34,363)	(34,363)
Total financial liabilities	**-**	**(34,363)**	**-**	**(34,363)**	**(34,363)**

Loans and advances to banks

These items have a short term maturity (usually less than three months) and it is assumed the carrying value approximates to their fair value as a result of this short time horizon to maturity. These have been classified as level 2 because these items can be re-priced using market observable inputs.

Notes to the financial statements (continued)

20. Fair value of financial instruments (continued)

Other assets

Other assets are made up mostly of loans and receivables. The fair value of these receivable balances approximates to their carrying value as there have been no significant market conditions that would have caused a difference between the two values. These have been classified as level 2 where the items can be re-priced using market observable inputs and level 3 where the valuation is not based upon observable market data.

Other Liabilities

Other liabilities are made up of mostly accounts payable. The fair value of other liabilities approximates to their carrying value because there have been no factors that would have caused a difference between these two values. These have been classified as level 2 because these items can be re-priced using market observable inputs.

21. Risk management

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls, however due to the nature and extent of the Company's operations, it faces limited financial risk exposure. The Company performs all operational aspects of portfolio servicing, including risk management, under the servicing agreement with NewDay Funding Transferor Limited and NewDay Partnership Transferor Limited. The Company's responsibility for overall risk management approach and for approving the risk management strategies and principles lies with the Board of NewDay Group Ltd (the NGL Board), which has established Board sub-committees and senior management committees whose responsibilities include:

- overseeing the risk management process
- identifying the key risk facing the business, and
- assessing the effectiveness of planned management actions.

Risks are identified, managed and mitigated using the Risk Management Framework, which embodies the Group's and therefore Company's risk appetite objectives and works alongside the Group's strategy, both of which are approved by the NGL Board. The Group's risk appetite is built into policies, authority levels and limits across the business. Governance is maintained through delegation of authority from the NGL Board supported by a committee based structure designed to ensure that our risk appetite, policies, procedures, controls and reporting are fully in line with regulations, law, corporate governance and industry best practice. Board level engagement, supported by business wide senior management involvement in risks facing the Group ensures that issues are promptly escalated and remediation plans are initiated where required.

The principal risks faced by the Company are credit risk, liquidity, funding and cash management risk, regulatory risk, operational risk, strategy risk and macro-economic risk. A summary of these risks is included below:

Credit risk

Credit risk is the risk of loss arising from counterparty defaults, most significant of which are credit card customer defaults. All credit card balances in the Group reside on the balance sheet of NFT and NPT and therefor the Company has no direct exposure to customer defaults. The key debtors to the Company are the two aforementioned Companies, and based on the structure and the payment agreements governing the payments between them, the Company is the most senior creditors to be paid back from the cash payment of the receivables. This creates a very low credit risk for the Company. The maximum exposure to credit risk would be the receivable balances on the balance sheet. Credit risk is monitored to ensure that the Company's debtors are able to meet their obligations to the company when due.

Liquidity, funding and cash management risk

Liquidity, funding and cash management risk is the risk that the Company is not able to meet its liabilities when they are due under normal conditions, and under a liquidity stress as defined by the internal stress requirements computed and analysed at the Group level or can do so only at excessive cost. Liquidity risk is managed by ensuring the Company is sufficiently capitalised and has adequate working capital to meet its day-to-day operating requirements. All of the Company's liabilities are due within 30 days.

Notes to the financial statements (continued)

22. Controlling party and consolidation

The Company's immediate parent is NewDay Group Ltd, a Company registered in England and Wales (registered number 7753556) which is a wholly-owned subsidiary of NewDay Holdings Ltd, a Company registered in England and Wales (registered number 7795882) the ultimate parent of which is NewDay Group Holdings S.à r.l. which heads the largest group for which consolidated publically available accounts are prepared.

The Company has elected to prepare separate financial statements and applied the exemption from consolidation available under IAS 27. The financial statements of the Company and its subsidiaries, as listed in note 18, are consolidated into the financial statements of NewDay Group Holdings S.à r.l. on the on the basis that NewDay Group Holdings S.à r.l has the power to govern the financial and operating policies of the entity, has the exposure, or rights to the variable returns from involvement with the entity, and is able to use its power to affect the amount of returns from NewDay Cards Ltd.

Copies of the NewDay Group Holdings S.à r.l. consolidated financial statements are available from our website www.newday.co.uk or its registered offices at:

4 rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxemburg

23. Post balance sheet events

On 11 October 2016, Invicta EuroCard Services L.P. entered into a sale and purchase agreement relating to the sale of the entire share capital of NewDay Group Holdings S.à r.l to Nemean Bidco Limited. Nemean Bidco Limited is an investment vehicle of funds advised by Cinven and CVC Capital Partners. On 26 January 2017 customary conditions (including obtaining regulatory and anti-trust approvals) were met and the transaction completed.

As a result of the acquisition the Directors' loans detailed in note 13 were repaid on 26 January 2017.

In connection with the acquisition: (a) Nemean BondCo plc (a wholly-owned subsidiary of Nemean BidCo Ltd) issued £425m Senior Secured Notes comprising £275m Fixed Rate Senior Secured Notes due 2024 and £150m Floating Rate Senior Secured Notes due 2023 (the 'Notes'); and (b) Nemean BidCo Ltd entered into a £30m Super Senior Revolving Credit Facility (the 'RCF'). Following completion of the acquisition on 26 January 2017, NewDay Group Holdings S.à r.l., together with each of its subsidiaries and subsidiary undertakings including the Company, are required to adhere to the relevant financing documents in order to: (a) guarantee the Notes and the RCF; and (b) provide security over all or substantially all of their assets (subject to certain exemptions).

24. Related party disclosures

	Year ended 31 December 2016	As at 31 December 2016
	£'000	£'000
Related parties		
Amounts owed to group undertakings	-	(16,222)
Interest to group undertakings	-	616
Amounts due from group undertakings	-	33,401
Amounts due from related parties	-	3,883
Dividends received from group undertakings	(2,200)	-
Interest from related parties	150	-

Notes to the financial statements (continued)

24. Related party disclosures (continued)

	Year ended 31 December 2015	As at 31 December 2015
	£'000	£'000
Related parties		
Amounts owed to group undertakings	-	(9,389)
Interest to group undertakings	-	103
Amounts due from group undertakings	-	24,034
Amounts due from related parties	-	2,900
Dividends received from group undertakings	(3,950)	-
Interest from group undertakings	(460)	-
Interest from related parties	(134)	-

The Company has loans to Directors of the Company. Details of these loans are at note 13 and included above in amounts due from related parties.

	Year ended 31 December 2016	Year ended 31 December 2015
	£'000	£'000
Servicing fees from		
NewDay Partnership Transferor Plc	101,205	85,495
NewDay Funding Transferor Limited	74,150	65,459
Overhead recharges from		
NewDay Ltd	1,764	1,680
	177,119	**152,634**

The Company *receives servicing fees from* NewDay *Funding Transferor* Ltd *and* NewDay Partnership Transferor Funding plc and overhead recharges from NewDay Ltd in connection with servicing and licencing of their credit card portfolios. These amounts are detailed in the table above. Both Companies are consolidated into the financial statements of NewDay Group Holdings S.à r.l. and hence are considered related parties to the Company.

All related party transactions during the year were made on terms equivalent to those that prevail in arms' length transactions.

25. Contingent liabilities, commitments and leasing arrangements

The Company has entered into commercial leases for the premises and equipment. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at the following dates are, as follows:

	Within 1 year	1 to 5 years	More than 5 years	Total
31 December 2016	£'000	£'000	£'000	**£'000**
Operating lease commitments	1,507	14,743	16,563	**32,813**
	1,507	**14,743**	**16,563**	**32,813**
31 December 2015				
Operating lease commitments	2,157	5,735	3,612	**11,504**
	5,735	**3,612**	**11,504**	**12,797**

In addition the Company had capital commitments contracted for but not provided in the financial statements amounting to £4,261,000 (2015: £nil).