

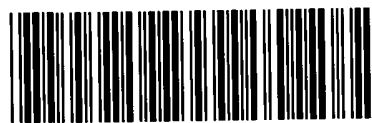
# NewDay Cards Ltd

Company number 04134880

Annual report and financial statements

31 December 2017

WEDNESDAY



\*A72P8RVF\*

A12

28/03/2018

#28

COMPANIES HOUSE

# Contents

General information.....	2
Strategic report.....	3
Directors' report.....	4
Statement of Directors' responsibilities.....	5
Independent auditor's report.....	6
Statement of profit and loss and other comprehensive income.....	8
Statement of financial position.....	9
Statement of changes in equity.....	10
Statement of cash flows.....	11
Notes to the financial statements.....	12

## **General information**

### **Directors**

J Corcoran  
P Sheriff

### **Company secretary**

S Rowland

### **Registered office**

7 Handyside Street  
London  
N1C 4DA

### **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 annual report and the audited financial statements of NewDay Cards Ltd (the "Company") for the year ended 31 December 2017.

## Incorporation and principal activity

The Company was incorporated on 3 January 2001 and domiciled in England and Wales. The principal activities of the Company are to service the credit card and loan portfolios held by NewDay Funding Transferor Ltd, NewDay Partnership Transferor Plc and NewDay UPL Transferor Ltd, who along with the Company, are all subsidiaries of the NewDay Group (Jersey) Limited (the "Group").

## Review of the Company's business and future developments

The Company generated a profit after tax of £46.4m in the year ended 31 December 2017 (2016: loss of £4.5m). Revenue increased by 43% to £252.4m (2016: £177.1m) driven by increased servicing fees following a revision to the agreed fee calculation in the year. The servicing fees are received for servicing credit card and loan portfolios, which is the main driver behind the increase in operating profit compared to a loss of £2.3m in 2016 to a profit of £57.2m for the year ended 31 December 2017.

The Company does not expect any significant changes to the nature of its business in the foreseeable future.

## Principal risks and uncertainties

The Company participates in the Group-wide risk management framework of NewDay Group (Jersey) Limited, rather than being managed at individual entity level. Details of the Group's risk management framework, together with the Group's principal risks and uncertainties, which include those of the Company, are reported in the Annual Report and Financial Statements of NewDay Group (Jersey) Limited, which is publicly available.

The Company holds a significant investment in another entity. There is a risk that the value of this investment may deteriorate as a result of the performance of the subsidiary. Performance is reviewed on a regular basis and corrective action to protect the value of the investment is taken as appropriate.

The Company is subject to a risk of credit default on its intercompany receivables. The repayment is dependent on the performance of the counterparties which is renewed on a regular basis.

## Key performance indicators

The Directors monitor performance of the Company by reference to servicing income in relation to operating expenses incurred. In the current year, operating profit increased to £57.2m (2016: loss of £2.3m driven by a one-off all colleague cash award bonus provision).

## Results and dividends

The audited financial statements and associated notes to the accounts for the Company, for the year ended 31 December 2017 are set out on pages 8 to 24. The profit for the year to 31 December 2017 after taxation was £46.4m (31 December 2016: Loss of £4.5m) as shown in the statement of profit and loss and other comprehensive income on page 8.

The Directors proposed and paid a dividend in the year of £17.8m (2016: £nil).

On behalf of the Board



**P Sheriff**  
**Director**  
**9 March 2018**

# Directors' report

The Directors present their Directors' report for the year ended 31 December 2017.

## Directors

The Directors who held office during the year and up to the date of approval of the financial statements were as follows:

J Corcoran  
P Sheriff

## Directors' insurance

Throughout the year, the Company maintained appropriate insurance cover to protect the directors from liabilities that may arise against them personally in connection with the performance of their role.

## Corporate governance statement

The Company participates in the Group-wide corporate governance framework of NewDay Group (Jersey) Limited which establishes procedures designed to safeguard assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives whilst enabling compliance with regulatory obligations.

## Going concern

The Company is dependent on NewDay Funding Transferor Ltd, NewDay Partnership Transferor Plc and NewDay UPL Transferor Ltd for the receipt of servicing income. These companies are exposed to uncertainties around the strength of the overall economy and the UK consumer credit market. The Directors believe that the existing plans and projections of business performance will be sufficient to allow all entities to continue to meet their current obligations. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months after the approval of these financial statements, therefore they continue to adopt the going concern basis in preparing these 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.

## 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 aware, there is no relevant audit information of which the Company's auditor is unaware, and the Directors have 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. This statement is given and should be interpreted in accordance with section 418(2) of the Companies Act 2006.

## 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.

On behalf of the Board



P Sheriff  
Director  
9 March 2018

## Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and 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 are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (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 its profit or loss 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, relevant and reliable;
- state whether applicable account standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are 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, and 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



**P Sheriff**  
**Director**  
**9 March 2018**

# Independent auditor's report

## Opinion

We have audited the financial statements of NewDay Cards Ltd ("the Company") for the year ended 31 December 2017, which comprise the statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

## Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## Independent auditor's report (continued)

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Andrew Walker (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

9 March 2018



# Statement of profit and loss and other comprehensive income

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Revenue	3	252.4	177.1
Cost of sales	4	(94.1)	(82.4)
<b>Gross profit</b>		<b>158.3</b>	<b>94.7</b>
Personnel expense	5	(65.9)	(60.4)
Other operating expenses	6	(30.9)	(37.3)
Depreciation of property and equipment	13	(3.1)	(1.4)
Amortisation of intangible asset	14	(1.2)	(0.1)
Other income	7	-	2.2
<b>Operating profit/(loss)</b>		<b>57.2</b>	<b>(2.3)</b>
Finance income	8	0.3	0.2
Finance expense	9	(1.1)	(0.7)
<b>Profit /(loss) before tax</b>		<b>56.4</b>	<b>(2.8)</b>
Tax expense	10	(10.0)	(1.7)
<b>Profit/(loss) after tax</b>		<b>46.4</b>	<b>(4.5)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(expense) for the year</b>		<b>46.4</b>	<b>(4.5)</b>

The profit for the year is from continuing operations.

The notes on pages 12 to 24 form an integral part of these statutory financial statements.

# Statement of financial position

as at 31 December 2017

	Note	As at 31 December 2017 £m	As at 31 December 2016 £m
<b>Assets</b>			
Loans and advances to banks	11	41.1	20.8
Other assets	12	74.6	49.4
Current tax receivable		0.8	0.8
Deferred tax		0.7	-
Property and equipment	13	10.0	6.0
Intangible assets	14	6.8	4.0
Investment in subsidiaries	15	2.5	2.5
Investment in equity instrument	16	-	13.3
<b>Total assets</b>		<b>136.5</b>	<b>96.8</b>
<b>Liabilities</b>			
Other liabilities	17	68.5	59.3
Current tax liabilities		5.0	1.0
Provisions	18	8.3	10.4
<b>Total liabilities</b>		<b>81.8</b>	<b>70.7</b>
<b>Capital and reserves</b>			
Share capital	19	3.3	3.3
Share premium	19	11.1	11.1
Capital contribution	19	22.7	22.7
Retained earnings		17.6	(11.0)
<b>Total equity</b>		<b>54.7</b>	<b>26.1</b>
<b>Total liabilities and equity</b>		<b>136.5</b>	<b>96.8</b>

The notes on pages 12 to 24 form an integral part of these statutory financial statements.

The statutory financial statements on pages 8 to 24 were approved by the Board of Directors on 9 March 2018 and signed on its behalf by:



**P Sheriff**  
Director

Company No. 04134880

# Statement of changes in equity

for the year ended 31 December 2017

	Share capital £m	Share premium £m	Capital contribution £m	Retained profit £m	Total equity £m
At 1 January 2017	3.3	11.1	22.7	(11.0)	26.1
Profit for the year after other comprehensive income	-	-	-	46.4	46.4
Transactions with owners:					
Dividends paid	-	-	-	(17.8)	(17.8)
At 31 December 2017	3.3	11.1	22.7	17.6	54.7

	Share capital £m	Share premium £m	Capital contribution £m	Retained losses £m	Total equity £m
At 1 January 2016	3.3	11.1	9.4	(6.5)	17.3
Loss for the year after other comprehensive income	-	-	-	(4.5)	(4.5)
Transactions with owners:					
Capital contribution	-	-	13.3	-	13.3
At 31 December 2016	3.3	11.1	22.7	(11.0)	26.1

The notes on pages 12 to 24 form an integral part of these statutory financial statements.

# Statement of cash flows

for the year ended 31 December 2017

		Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Note			
<b>Operating activities</b>			
	<b>Profit/(loss) before tax</b>	56.4	(2.8)
	Adjustments for:		
	Interest expense	1.1	0.7
	Depreciation of property and equipment	3.1	1.4
	Amortisation of intangible assets	1.2	0.1
Working capital adjustments:			
	Increase in other assets	(25.2)	(18.8)
	Increase in other liabilities	8.2	24.1
	(Decrease)/increase in provisions	(3.2)	8.1
	Tax paid	(5.6)	(1.5)
	Interest paid	(0.1)	(0.1)
	<b>Net cash generated from operating activities</b>	<b>35.9</b>	<b>11.2</b>
<b>Cash flows from investing activities</b>			
	Proceeds from sale of equity investment	13.3	-
	Purchase of property and equipment	(7.1)	(1.4)
	Purchase of intangibles	(4.0)	(4.0)
	<b>Net cash flows generated from investing activities</b>	<b>2.2</b>	<b>(5.4)</b>
<b>Cash flows from financing activities</b>			
	Dividends paid	(17.8)	-
	<b>Net cash flows generated from financing activities</b>	<b>(17.8)</b>	<b>-</b>
	Net increase in cash and cash equivalents	20.3	5.8
	Cash and cash equivalents at beginning of year	20.8	15.0
	<b>Cash and cash equivalents at end of year</b>	<b>41.1</b>	<b>20.8</b>

The notes on pages 12 to 24 form an integral part of these statutory financial statements.

# Notes to the financial statements

## 1. Corporate information

NewDay Cards Ltd (the "Company") was incorporated in England and Wales on 3 January 2001. The address of its registered office is included on page 2. The principal activities of the Company are described in the strategic report.

The financial statements of the Company for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 9 March 2018.

## 2. Accounting policies

### 2.1 Basis of preparation

#### Statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS as endorsed by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements of the Company have been prepared on the historical cost basis, are presented in Sterling and are rounded to the nearest £0.1m, except where otherwise stated.

#### 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 a period of at least twelve months after the approval of the financial statements. 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 Directors' responsibilities.

#### Presentation of financial statements

An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in note 21.

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 statement of profit and loss 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 financial statements are presented in Sterling (£) which is the presentational and functional currency of the Company. The Company transacts wholly in Sterling.

#### (2) Recognition of income and expenses

Income is recognised to the extent that it is probable that economic benefits will flow to the Company and the amount can be reliably measured. Expenses are recognised on an accruals basis when the amounts are incurred by the Company and the amount can be reliably measured. Interest expense is recognised on an accruals basis at the appropriate loan agreement rate.

#### (3) Cost of sales

Cost of sales includes costs associated with servicing customer accounts. Certain servicing costs are subject to a netting arrangement whereby the expenses and income (rebates) relating to a specific servicer are netted against each other. This is in line with the servicer agreement and reflects the intention of both parties to settle on a net basis. Some of the Company's servicing costs are prepaid and released to the statement of profit and loss over the period in which the service is provided. These amounts are included in prepayments and accrued income in the balance sheet.

#### (4) Personnel expenses

The Company applies IAS 19 'Employee Benefits' in its accounting for the relevant components of staff costs. Short-term employee benefits including salaries, accrued bonus, other incentive costs and social security are recognised over the period in which the employees provide the services to which the payments relate. Bonus and other incentive 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 benefits.

## Notes to the financial statements (continued)

### 2.2 Summary of significant accounting policies continued

#### (5) Defined contribution pension plan

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

#### (6) Share-based payment transactions

The fair value of the amount payable to employees in respect of share-based payment transactions is recognised as an expense with a corresponding increase in liabilities over the period in which the employees become unconditionally entitled to the shares.

#### (7) Capitalisation of expenditure

Expenditure relating to specific projects are reviewed to determine whether the capitalisation criteria of IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' are met (see note 2.2 (10) and (11)). The Company capitalises expenditure where the criteria are met and depreciates or amortises over the useful economic life of the asset.

#### (8) Leasing

The determination of whether an arrangement is a lease, or it 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 the 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 income statement of profit and loss on a straight-line basis over the lease term. Contingent rent payable is recognised as an expense in the period in which it is incurred. A lease is classified at the inception date as a finance lease or an operating lease.

#### (9) Taxation

##### Current tax

Current tax assets and liabilities arising in current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the tax balances are those that are enacted or substantively enacted by the reporting date. Current tax relating to items recognised directly in equity is also recognised in equity and not in the income statement.

##### Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is determined using the tax rate and laws that have been enacted or substantively 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 probable that future taxable profits will be available against which these temporary differences can be utilised. The carrying value 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.

#### (10) Intangible assets

The Company's intangible assets are internally generated intangible assets which include computer software and core operating platforms. These assets are capitalised as intangible assets on the basis of the costs incurred to acquire or develop the specific software and bring it into use. 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. Expenditure incurred in relation to scoping, planning and researching the build of an asset as part of a project is expensed as incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful economic lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over their useful economic life. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives, which are generally estimated to be:

- Computer software 3-5 years
- Trademarks 10 years

## Notes to the financial statements (continued)

### 2.2 Summary of significant accounting policies continued

#### (10) Intangible assets continued

The Company has no intangible assets with an infinite useful economic life. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss. Changes in the expected useful economic 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.

Intangible assets are assessed for indications of impairment at each balance sheet date, or more frequently where changes in circumstances exist. The carrying value of assets is compared to their recoverable amount, being the higher of the fair value less costs to sell and their value in use. Any impairment is recognised immediately in the statement of profit and loss.

#### (11) 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 economic life are accounted for by changing the depreciation period or method, as appropriate, and are 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 economic lives. The estimated useful economic lives are as follows:

- Computer equipment 3 – 5 years
- Fixtures and fittings 3 – 5 years
- Leasehold improvements over lease term

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 value of the asset) is recognised in other operating expenses in the statement of profit and loss in the period in which the asset is derecognised.

#### (12) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying value of the asset does not exceed its recoverable amount, nor exceeds the carrying value that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the statement of profit and loss.

#### (13) Investment in subsidiary undertakings

The Company's equity investments in its subsidiary undertakings are recorded at cost less impairment. At each reporting date an assessment is undertaken to determine whether 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 'Consolidated and Separate Financial Statements'. The financial statements of the Company and its subsidiary are consolidated into the financial statements of NewDay Group (Jersey) Limited, which are publicly available.

#### (14) 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 net of any reimbursement.

# Notes to the financial statements (continued)

## 2.2 Summary of significant accounting policies continued

### (15) Ordinary shares

The Company applies IAS 32 'Financial Instruments: Presentation' to determine whether funding is either a financial liability 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 are included in equity, net of transaction costs.

### (16) Dividends on ordinary shares

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

## 2.3 Significant accounting judgements, estimates and assumptions

### (1) Provisions

The Company is, from time to time and in the normal course of business, subject to a variety of legal or regulatory claims, actions or proceedings. When such circumstances arise management provides for its best estimate of cost where an outflow of economic resources is considered probable. The provision in the statement of financial position reflects the Director's current view of the expected future liability using management's best judgement regarding future developments. The nature and inherent uncertainty relating to these judgements and estimates means that the forecast outcome may be different to the actual economic outflow.

## 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 period ended 31 December 2017 but do not have a significant impact on the Company:

- Amendments to IAS 7 'Statement of Cash Flows';
- Amendments to IAS 12 'Income Taxes'; and
- Annual improvements to IFRSs 2014-2016 cycle.

## 2.5 Standards issued but not yet effective

The following accounting standards and interpretations have been issued by the International Accounting Standards Board (IASB) but have not 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. 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. The standard became effective on 1 January 2018 but is not 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. The standard became effective on 1 January 2018 but is not expected to have a significant impact on the Company's financial statements;
- 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. The standard becomes effective on 1 January 2019 but is not expected to have a significant impact on the Company's financial statements;
- Amendments to IFRS 2 'Share-based Payment'. The amendment clarifies the measurement of cash-settled share-based payments, the classification of share-based payments settled net of tax withholdings and accounting for a modification of a share-based payment from cash-settled to equity-settled. This standard is not expected to have a significant impact on the financial statements;
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. The amendments resolve the conflict between the existing guidance on consolidation and equity accounting. This standard is not expected to have a significant impact on the financial statements; and
- Annual improvements to IFRSs 2014-2016 cycle. This standard is not expected to have a significant impact on the financial statements.



## Notes to the financial statements (continued)

### 3. Revenue

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Servicing fee income	252.3	175.2
Other fees	0.1	1.9
	<b>252.4</b>	<b>177.1</b>

Servicing fee income is largely derived from NewDay Partnership Transferor Plc, NewDay Funding Transferor Ltd and NewDay UPL Transferor Ltd and is calculated by recharging servicing costs and operating expenses incurred as governed under the servicing agreements.

### 4. Cost of sales

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Servicing costs	66.3	59.8
Advertising and marketing	27.8	22.6
	<b>94.1</b>	<b>82.4</b>

### 5. Personnel expense

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Wages and salaries	54.5	50.1
Social security costs	4.9	5.3
Defined contribution pension contributions	3.2	2.6
Other staff costs	3.3	2.4
	<b>65.9</b>	<b>60.4</b>
Average number of full time employees	830	724
Number of full time employees as at 31 December	916	780

See note 24 for transactions with directors and key management personnel.

### 6. Other operating expenses

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Administrative cost and commissions to retailers	11.5	9.5
Professional fees	2.1	3.5
IT and communications	5.4	3.4
Project expenses	9.8	20.5
Other	2.1	0.4
	<b>30.9</b>	<b>37.3</b>

External audit fee of £0.1m for the audit of the Company's financial statements were paid in the year (2016: £0.1m).

The company has made payments of £1.9m under operating leases in the year (2016: £1.5m).

## Notes to the financial statements (continued)

### 7. Other income

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Dividends received from subsidiary	-	2.2
	-	2.2

### 8. Finance income

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Interest income from Group undertakings	0.3	-
Other interest income	-	0.2
	0.3	0.2

Other interest income is derived from loans to certain Directors which were settled on 26 January 2017, as detailed at note 12.

### 9. Finance expense

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Interest expense due to Group undertakings	1.0	0.6
Interest due to banks	0.1	0.1
	1.1	0.7

### 10. Tax expense

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Current tax expense	10.7	1.8
Deferred tax credit	(0.7)	(0.1)
<b>Total expense</b>	<b>10.0</b>	<b>1.7</b>

For the period from 1 January 2017 to 31 March 2017 the enacted UK corporation tax rate was 20% and for the period from 1 April 2017 to 31 December 2017 the rate was 19%. The average tax rate for the year is calculated at 19.25% (2016: 20%). From 1st April 2020 the tax rate is expected to reduce to 17%.

# Notes to the financial statements (continued)

## 10. Tax expense continued

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Loss/(profit) before taxation	56.4	(2.8)
Tax (credit)/charge at average UK corporation tax rate 19.25% (2016: 20%)	10.9	(0.6)
Effects of:		
Disallowable items and allowable deductions	0.6	2.2
Group relief from other Group companies	(3.1)	(0.2)
Provision for prior year tax / temporary timing differences	0.6	0.3
Adjustment in respect of prior years	1.0	-
Current taxation	<b>10.0</b>	<b>1.7</b>

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

## 11. Loans and advances to banks

	As at 31 December 2017 £m	As at 31 December 2016 £m
Cash and cash equivalents	<b>41.1</b>	<b>20.8</b>

Cash at bank balances are held with large retail UK based banks. Restricted cash amounted to £nil at 31 December 2017 (2016: £nil).

## 12. Other assets

	As at 31 December 2017 £m	As at 31 December 2016 £m
Amounts due from Group undertakings	60.1	33.4
Loans and receivables	1.0	4.9
Prepayments and accrued income	13.5	11.1
	<b>74.6</b>	<b>49.4</b>

Amounts due from Group undertakings are unsecured and have no fixed date for repayment. No interest is charged on these amounts.

In 2016 included within Loans and receivables were certain loans extended to Directors, key management personnel and other staff of NewDay Cards Ltd. Interest ranging from 4% to 5% was payable on these loans to the Company. These loans were repaid in full on 26 January 2017.

## Notes to the financial statements (continued)

### 13. Property and equipment

	Computer hardware £m	Fixtures and fittings £m	Leasehold improvements £m	Total property and equipment £m
Cost at 1 January 2017	2.2	1.7	6.0	9.9
Additions in the year	0.4	1.1	5.6	7.1
Disposals in the year	-	(0.4)	(1.8)	(2.2)
<b>Cost at 31 December 2017</b>	<b>2.6</b>	<b>2.4</b>	<b>9.8</b>	<b>14.8</b>
Depreciation at 1 January 2017	(1.2)	(1.2)	(1.5)	(3.9)
Charges for the year	(0.4)	(0.7)	(2.0)	(3.1)
Disposals in the year	-	0.4	1.8	2.2
<b>Depreciation at 31 December 2017</b>	<b>(1.6)</b>	<b>(1.5)</b>	<b>(1.7)</b>	<b>(4.8)</b>
<b>Net book value at 31 December 2017</b>	<b>1.0</b>	<b>0.9</b>	<b>8.1</b>	<b>10.0</b>
Net book value at 31 December 2016	1.0	0.5	4.5	6.0

### 14. Intangible assets

	Total intangible assets £m
Cost at 1 January 2017	4.1
Additions in the year	4.0
<b>Cost at 31 December 2017</b>	<b>8.1</b>
Amortisation at 1 January 2017	(0.1)
Charges for the year	(1.2)
<b>Amortisation at 31 December 2017</b>	<b>(1.3)</b>
<b>Net book value at 31 December 2017</b>	<b>6.8</b>
Net book value at 31 December 2016	4.0

### 15. Investment in subsidiaries

The Company has a 100% share of the ordinary shares of NewDay Ltd, NewDay Reserve Funding Ltd, NewDay Loyalty Limited, Invicta Card Services Limited, Progressive Credit Limited and SAV Credit Limited (collectively the "Subsidiaries").

	At 31 December 2017 £m	At 31 December 2016 £m
NewDay Ltd	2.5	2.5
<b>Investment in subsidiaries</b>	<b>2.5</b>	<b>2.5</b>

The Directors have considered the carrying value of the investments. At the reporting date NewDay Ltd has net assets amounting to £9.5m, the Directors' assessment of the value in use of NewDay Ltd, has led the Directors to conclude that the investments are not impaired at the end of the reporting period.

The principal place of business of the Subsidiaries is in the United Kingdom and their registered office is 7 Handyside Street, London, N1C 4DA.

# Notes to the financial statements (continued)

## 16. Investment in equity instrument

	At 31 December 2017 £m	At 31 December 2016 £m
EuroCard Services L.P.	-	13.3
<b>Investment in equity instrument</b>	<b>-</b>	<b>13.3</b>

In 2016 the Company made an investment in certain equity shares of Invicta EuroCard Services L.P. with a fair value of £13.3m which were classified as fair value through profit and loss. On 26 January 2017 the equity shares were realised and the proceeds were held in cash and cash equivalents.

## 17. Other liabilities

	As at 31 December 2017 £m	As at 31 December 2016 £m
Trade payable and accruals	45.8	41.1
Amounts due to Group undertakings	22.3	16.2
Pension contributions	0.4	0.4
Other liabilities	-	1.6
	<b>68.5</b>	<b>59.3</b>

Amounts due to Group undertakings are unsecured and have no fixed date for repayment. No interest is charged on these amounts.

## 18. Provisions

	Other provisions £m	Dilapidation provisions £m	Total provisions £m
At 1 January 2016	0.8	1.4	2.2
Arising during the year	8.9	0.1	9.0
Utilised during the year	(0.8)	-	(0.8)
<b>At 31 December 2016</b>	<b>8.9</b>	<b>1.5</b>	<b>10.4</b>
Arising during the year	5.9	0.3	6.2
Utilised during the year	(8.3)	-	(8.3)
<b>At 31 December 2017</b>	<b>6.5</b>	<b>1.8</b>	<b>8.3</b>

Other provisions include an all colleague acquisition bonus, totalling £3.4m, payable to employees and certain Directors by the Company. A proportion of this bonus, totalling £8.3m, was paid in the period with the remainder expected to be utilised in 2018; and £2.8m in relation to non-customer related regulatory enquires. The Company is, from time to time and in the normal course of business, subject to a variety of legal or regulatory claims, actions or proceedings. When such circumstances arise management provides for its best estimate of cost where an outflow of economic resources is considered probable.

A dilapidation provision of £1.8m (2016: £1.5m) is held as at 31 December 2017 for dilapidation of Leeds and London leased offices. This has been discounted over the remaining period of the lease at the risk-free rate.

## Notes to the financial statements (continued)

### 19. Share capital and reserves

	As at 31 December 2017 £m	As at 31 December 2015 £m
Share capital	3.3	3.3
Share premium	11.1	11.1
Capital contribution	22.7	22.7
	<b>37.1</b>	<b>37.1</b>

#### Called up and fully paid share capital Ordinary shares (£0.10)

Shares issued on incorporation  
As at 31 December 2016 and 2017

	Issued share capital	
	Number of shares	Nominal value £m
	33,400,695	3.3
	<b>33,400,695</b>	<b>3.3</b>

The Company was incorporated with share capital of £3.3m comprising 33,400,695 fully paid ordinary shares of £0.10.

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 shares rank equally in respect of rights attached to voting, dividends and in the event of winding up.

A dividend of £17.8m was paid during the year (2016: £nil).

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act 2006. The Company has not breached this minimum requirement. The Company manages its capital and reserves to ensure that there is sufficient capital to meet the needs of its operations.

### 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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs, other than observable unadjusted quoted prices included within level 1, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- 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.

	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value £m	Fair value £m
<b>As at 31 December 2017</b>					
<b>Financial assets</b>					
Loans and advances to banks	-	41.1	-	41.1	41.1
Other assets	-	61.1	-	61.1	61.1
<b>Total financial assets</b>	-	<b>102.2</b>	-	<b>102.2</b>	<b>102.2</b>
<b>Financial liabilities</b>					
Other liabilities	-	(68.1)	-	(68.1)	(68.1)
<b>Total financial liabilities</b>	-	<b>(68.1)</b>	-	<b>(68.1)</b>	<b>(68.1)</b>

## Notes to the financial statements (continued)

### 20. Fair value of financial instruments (continued)

As at 31 December 2016	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value £m	Fair value £m
<b>Financial assets</b>					
Loans and advances to banks	-	20.8	-	20.8	20.8
Other assets	-	34.4	3.9	38.3	38.3
Investment in equity instrument	-	-	15.8	15.8	15.8
<b>Total financial assets</b>	-	<b>55.2</b>	<b>19.7</b>	<b>74.9</b>	<b>74.9</b>
<b>Financial liabilities</b>					
Other liabilities	-	(58.9)	-	(58.9)	(58.9)
<b>Total financial liabilities</b>	-	<b>(58.9)</b>	-	<b>(58.9)</b>	<b>(58.9)</b>

#### Loans and advances to banks:

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

#### Other assets:

Other assets consist of loans and receivables. The fair value of other liabilities approximates to their carrying value because there have been no significant changes to market conditions 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.

#### Other liabilities:

Other liabilities are made up of intercompany creditors, accounts payable and accruals. The fair value of other liabilities approximates to their carrying value because there have been no significant changes to market conditions 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. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	As at 31 December 2017			As at 31 December 2016		
	< 12 months £m	> 12 months £m	Total £m	< 12 months £m	> 12 months £m	Total £m
<b>Assets</b>						
Loans and advances to banks	41.1	-	41.1	20.8	-	20.8
Other assets	69.4	5.2	74.6	49.4	-	49.4
Current tax receivables	0.1	0.7	0.8	0.8	-	0.8
Deferred tax	-	0.7	0.7	-	-	-
Property and equipment	-	10.0	10.0	-	6.0	6.0
Intangible assets	-	6.8	6.8	-	4.0	4.0
Investment in subsidiaries	-	2.5	2.5	-	2.5	2.5
Investment in equity instrument	-	-	-	-	13.3	13.3
<b>Total assets</b>	<b>110.6</b>	<b>25.9</b>	<b>135.5</b>	<b>71.0</b>	<b>25.8</b>	<b>96.8</b>
<b>Liabilities</b>						
Other liabilities	(68.5)	-	(68.5)	(59.3)	-	(59.3)
Current tax liabilities	(5.0)	-	(5.0)	(1.0)	-	(1.0)
Provisions	(6.5)	(1.8)	(8.3)	(10.4)	-	(10.4)
<b>Total liabilities</b>	<b>(80.0)</b>	<b>(1.8)</b>	<b>(81.8)</b>	<b>(70.7)</b>	-	<b>(70.7)</b>

# Notes to the financial statements (continued)

## 22. Controlling party and consolidation

The Company's immediate parent company is NewDay Group Ltd, a company registered in England and Wales, which holds the entire issued share capital of the Company. Nemean TopCo Limited, a private limited company incorporated in Jersey, is the ultimate parent undertaking.

The financial statements of the Company are consolidated into the financial statements of NewDay Group (Jersey) Ltd on the basis that this Company 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 from returns for NewDay Cards Ltd.

Copies of the NewDay Group (Jersey) Limited consolidated financial statements are available from the Company's website [www.newday.co.uk](http://www.newday.co.uk) or its registered offices at:

1 Waverley Place  
Union Street  
St Helier  
Jersey  
JE1 1SG.

## 23. Contingent liabilities, commitments and leasing arrangements

The Company has entered into commercial leases for the premises. 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:

Operating lease commitments	Within 1 year £m	1 to 5 years £m	More than 5 years £m	Total £m
As at 31 December 2017	3.3	14.5	12.5	30.3
As at 31 December 2016	1.5	14.7	16.6	32.8

In addition the Company had capital expenditure commitments contracted with third parties but not provided for of £0.4m as at 31 December (2017: £4.3m).

## 24. Related party disclosures

	Year ended 31 December 2017 £m	As at 31 December 2017 £m	Year ended 31 December 2016 £m	As at 31 December 2016 £m
<b>Transactions with directors and key management personnel</b>				
Total emoluments	6.2	n/a	5.6	n/a
Total pension contributions	0.1	n/a	0.3	n/a
Highest paid key management personnel	1.2	n/a	1.3	n/a
Highest pension contribution to key management personnel	0.1	n/a	0.1	n/a
Loans to key management personnel	n/a	-	n/a	3.4

Directors, key management personnel and certain senior employees held shares and debt securities issued by NewDay Group Holdings S.à r.l. (held via their interests in Invicta EuroCard Services LP, the parent company of NewDay Group Holdings S.à r.l.). In January 2017 they exchanged their holdings of these shares and debt securities for debt securities in the NewDay Group (Jersey) Limited of £54.2m. Through a series of security-for-security exchanges, those debt securities in the NewDay Group (Jersey) Limited of £54.2m were exchanged for participating interests in Nemean TopCo Limited, NewDay Group (Jersey) Limited's ultimate parent undertaking. In addition, during the year under review further interests in Nemean TopCo Limited were issued to certain key management personnel and senior employees.

These participating interests are treated as equity-settled shares under IFRS 2 'Share-based Payment'. Investments in participating interests by key management personnel and other senior employees (either through the exchange of interests described above or a fresh issuance of interests in Nemean TopCo Limited) were made at fair value. As a result no share-based payment expense has been recognised in the income statement in the period.



## Notes to the financial statements (continued)

### 24. Related party disclosures continued

	Year ended 31 December 2017 £m	As at 31 December 2017 £m	Year ended 31 December 2016 £m	As at 31 December 2016 £m
<b>Transactions with other related parties</b>				
Amounts owed to Group undertakings	n/a	(22.3)	n/a	(16.2)
Amounts owed from Group undertakings	n/a	60.1	n/a	33.4
Amount owed from related parties	n/a	-	n/a	3.9
Interest paid to Group undertakings	(1.0)	n/a	(0.6)	n/a
Interest received from Group undertakings	0.3	n/a	-	n/a
Interest received from related parties	-	n/a	0.2	n/a
Dividends received	-	n/a	2.2	n/a
Servicing fee income	252.3	n/a	175.2	n/a
Servicing fee expense	(5.6)	n/a	(5.5)	n/a

The Company receives servicing fees from NewDay Funding Transferor Ltd, NewDay Partnership Transferor Funding Plc, NewDay UPL Transferor Ltd and NewDay Ltd in connection with servicing of the credit card and loan portfolios. The Company also pays a servicing fee to NewDay Ltd for credit card administration.