NewDay Secondary Funding Limited

Company No. 09584834

Annual report and statutory financial statements

31 December 2019

Contents

General information

Directors
Andrew Wallace
Joint Corporate Services Limited
TMF Corporate Directors Limited

Company secretary
Joint Secretarial Services Limited

Registered office
8th Floor
20 Farringdon Street
London
EC4A 4AB

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 audited financial statements of NewDay Secondary Funding Limited (the "Company") for the year ended 31 December 2019.

Incorporation and principal activity

The Company was incorporated on 11 May 2015 and is domiciled in England and Wales. The Company's principal activity is financing in the form of issuing debt and lending to NewDay Funding Transferor Limited (the "Transferor"), a member of the NewDay Group (the "Group").

Review of the Company's business and future developments

The Company has issued debt in the form of senior variable funding notes to an external bank for the value of £150.0m (the "Senior Notes") of which £40.0m is drawn at 31 December 2019 (31 December 2018: £17.5m). The Company has issued junior and senior subordinated variable funding notes for a maximum value of £45.0m and £33.0m respectively (collectively the "Subordinated Notes") to the Transferor of which £12.4m has been subscribed as at 31 December 2019 (31 December 2018: £4.4m).

All of the proceeds received from the Senior Notes and Subordinated Notes are used to purchase the rights to the benefits of designated credit card receivables held by the Transferor in form of a Deemed Loan to Originator (the "DLO"). Interest income received on the DLO which is driven by the returns on the underlying credit cards used to collateralise the loan, is used to pay the interest payments on the Senior Notes and the Subordinated Notes. The Company is structured so that the terms of any debt issued are directly offset by the DLO, creating an economic hedge of movements in interest rate.

The Company pays a servicing fee to NewDay Cards Ltd ("NDC"), the entity in the Group which provides various management services to the other Group entities under servicing agreements. Funds are advanced one month in advance from the Transferor to pay the servicing fees.

The Senior Notes are listed on the Cayman Islands stock exchange.

The Company will continue to trade as a securitisation entity and is expected to make a minimal retained profit of £100 per month for the foreseeable future based on the structure of the Company.

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 is subject to a risk of credit default on all its intercompany lending. The repayment is dependent on the performance of the counterparties which is reviewed on a regular basis.

Market risk is the risk that market movements will negatively affect the value of the Company's assets and liabilities. The only material market risk the Company is exposed to is interest rate risk. The main source of interest rate risk for the Company arises where there is a significant difference between the interest rate based on assets compared to liabilities. The Company has mitigated the risk as the intercompany debt is structured to match the contractual profile of the Senior Notes and Subordinated Notes, which effectively mitigates the overall liquidity risk.

Key performance indicators

Given the nature of the business, the Company's Directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Strategic report (continued)

Results and dividends

The audited financial statements and associated notes to the financial statements for the Company, for the year ended 31 December 2019 are set out on pages 14 to 26.

The Company made a profit before tax of £1,200 for the year ended 31 December 2019 (2018: Profit of £1,200).

The Directors do not propose the payment of a dividend for the year ended 31 December 2019 (2018: £nil).

On behalf of the Board

Stephen Norton
on behalf of
Joint Corporate Services Limited
Director
5 March 2020

Directors' report

The Directors present their report for the year ended 31 December 2019.

Directors and their interests

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

- Andrew Wallace
- Joint Corporate Services Limited
- TMF Corporate Directors Limited

Company secretary

The Company secretary during the year and up to the date of signing the financial statements was Joint Secretarial Services Limited.

Third party indemnities

Qualifying third party indemnity provisions for the benefit of the Directors were in force during the year under review and remain in force as at the date of approval of the annual report and financial statements.

Issuance of shares

The Company was incorporated with share capital of £2 comprising 2 fully paid ordinary shares of £1 each, issued on 11 May 2015. A third party trustee, TMF Trustee Limited, holds in full the Company's entire issued share capital on a discretionary trust basis.

Corporate governance statement

The Directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the securitisation structure documents.

The securitisation structure documents provide for procedures that have been designed for safeguarding 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's ultimate source of funds to make payments on the issued debt is from collections on a portfolio of credit card accounts held by the Transferor. The Company's funding structure only requires repayment of the issued debt in line with the repayment of these credit card accounts. Consequently, the Directors are satisfied that the Company will have sufficient liquid resources available to meet its obligations as they fall due.

The Directors believe that the existing plans and projections of business performance will be sufficient to allow the Company to continue to meet its 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 from the approval of the financial statements. The Directors also considered the impact of Brexit on the Company including conducting scenario analysis of the potential impact on profitability and the capital markets and assessing the Company's ability to refinance in this scenario. Considering the scenario analysis and the Company's current funding position, 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.

Directors' report (continued)

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 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. This statement is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Auditor

The 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

Stephen Norton
on behalf of
Joint Corporate Services Limited
Director
5 March 2020

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to 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 the 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

Stephen Norton
on behalf of
Joint Corporate Services Limited
Director
5 March 2020

KPMG

Independent auditor's report

1. Our opinion is unmodified

We have audited the financial statements of NewDay Secondary Funding Ltd ("the Company") for the year ended 31 December 2019 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 the 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 2019 and of its result for the year then ended;

— the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and

— the financial statements 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 as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: financial statements as a whole	£370,000 (2018:£160,000) 0.7% Total Assets (2018: 0.7%) Total Assets	
Key audit matters		**vs 2018**
Recurring risks	Recoverability of intercompany balances	◄►
Event driven	The impact of uncertainties due to the UK exiting the European Union on our audit	▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 3 (Strategic Report)*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in Recoverability of intercompany balances below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Company's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: — **Our Brexit knowledge** – We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. — **Sensitivity analysis** – When addressing Recoverability of intercompany balances and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. — **Assessing transparency** – As well as assessing individual disclosures as part of our procedures on Recoverability of intercompany balances we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under Recoverability of intercompany balances, we found the resulting estimates and related disclosures of sensitivity and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

2. **Key audit matters: our assessment of risks of material misstatement (continued.)**

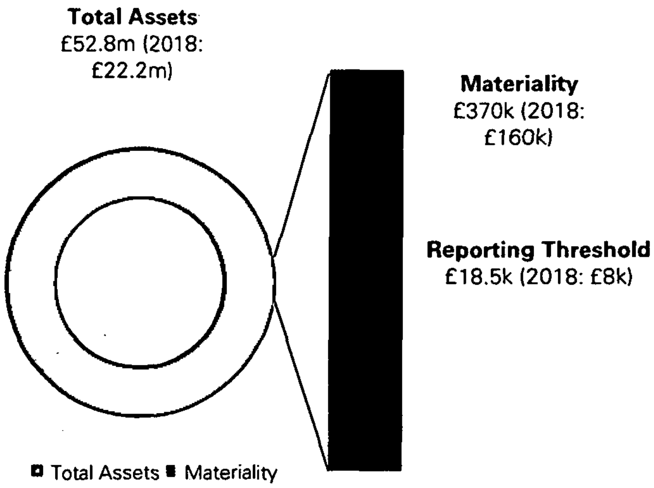
	The risk	Our response
Recoverability of intercompany balances Intercompany debtor balance: (£52.5m; 2018: £22.0m) *Refer to page 18 (accounting policy) and page 22 (financial disclosures).*	**Low risk, high value:** The carrying amount of the intra-group debtor balances represents 99.4% (2018: 99.1%) of the Company's total assets. Whilst recoverability is ultimately dependent upon the cash flows generated from the credit card receivables held by NewDay Funding Transferor Ltd, the recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its size in the context of the Company's financial statements, this is considered to be the area that had the greatest effect on our overall audit.	Our procedures included: **Test of detail:** We assessed the recoverability of the intercompany debtor by considering: the anticipated cash flows of the secured credit card receivables in NewDay Funding Transferor Ltd which relate to the Company; and the terms within the Subscription and Funding Agreements which prescribe the ongoing operations of the group funding structure as it applies to the Company. **Assessing Transparency:** We assessed the adequacy of the Company's disclosures in respect of the recoverability of the intra-group debtor balance.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Company's financial statements as a whole was set at £370k (2018: £160k), determined with reference to a benchmark of total assets (of which it represents 0.7% (2018: 0.7%)).

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £18.5k (2018: £8k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality specified above and was all performed at locations in Leeds and London.



4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, 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 a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information :

— 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.

6. We have nothing to report on the other 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 by the Company, 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.

7. Respective responsibilities

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 including 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.

8. 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.

K. G. Pountney

Karl Pountney (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Square
Leeds
LS1 4DA
5 March 2020

Statement of profit and loss and other comprehensive income

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest and similar income	3	3.9	4.7
Interest and similar expense	4	(2.4)	(2.9)
Net interest income		**1.5**	**1.8**
Administration expenses	5	(1.5)	(1.8)
Total administration expenses		**(1.5)**	**(1.8)**
Profit before tax		-	-
Tax expense	6	-	-
Profit for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The notes on pages 18 to 26 form an integral part of these statutory financial statements.

Statement of financial position

	Note	As at 31 December 2019 £m	As at 31 December 2018 £m
Assets			
Cash and balances at bank	7	0.3	0.2
Amounts due from other Group entities	8	52.5	22.0
Total assets		**52.8**	**22.2**
Liabilities			
Debt issued and other borrowed funds	9	39.8	17.3
Amounts owed to other Group entities	10	13.0	4.9
Total liabilities		**52.8**	**22.2**
Net assets		-	-
Capital and reserves			
Share capital	11	-	-
Retained earnings		-	-
Total equity		-	-

The notes on pages 18 to 26 form an integral part of these statutory financial statements. The financial statements on pages 14 to 26 were approved by the Board of Directors on 5 March 2020 and signed on its behalf by:

Stephen Norton
on behalf of
Joint Corporate Services Limited
Director

Company No. 09584834

Statement of changes in equity

	Share capital £m	Retained earnings £m	Total equity £m
As at 1 January 2019	-	-	-
Total comprehensive income for the year	-	-	-
At 31 December 2019	-	-	-

	Share capital £m	Retained earnings £m	Total equity £m
As at 1 January 2018	-	-	-
Total comprehensive income for the year	-	-	-
At 31 December 2018	-	-	-

The notes on pages 18 to 26 form an integral part of these statutory financial statements.

Statement of cash flows

	Year ended 31 December 2019 £m	Year ended 31 December 2018[1] £m
Operating activities		
Profit before tax	-	-
Adjustments for:		
Interest and similar expense	2.4	2.9
Adjustments for working capital:		
Decrease in amounts due from other Group entities	(0.2)	0.2
Increase in amounts due to other Group entities	0.1	(0.4)
Interest and similar expense paid	(2.2)	(2.8)
Net cash flows generated/(used) in operating activities	**0.1**	**(0.1)**
Financing activities		
Proceeds from issuance of external debt	22.5	23.3
Repayment from issuance of external debt	-	(30.7)
Proceeds from issuance of debt to other Group entities	10.0	8.9
Repayment from issuance of debt to other Group entities	(2.2)	(18.4)
Drawdown of the DLO	(30.3)	16.9
Net cash flows from financing activities	**-**	**-**
Net decrease in cash and cash equivalents	0.1	(0.1)
Cash and cash equivalents at beginning of year	0.2	0.3
Cash and cash equivalents at end of year	**0.3**	**0.2**

[1]The presentation of the statement of cash flows has been updated to show a greater level of detail in 2019, the presentation of 2018 has also been updated accordingly.

The notes on pages 18 to 26 form an integral part of these statutory financial statements.

Notes to the financial statements

1. General information

1.1 Incorporation information

NewDay Secondary Funding Limited (the "Company") was incorporated on 11 May 2015 and is domiciled in England and Wales. The Company was registered as a private limited company with the registration number 09584834. The address of its registered office is disclosed on page 2. The principal activity of the Company is described in the strategic report.

1.2 Authorisation of financial statements

The financial statements of the Company for the year ended 31 December 2019 were authorised for issue by the Directors on 5 March 2020.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with IFRS as endorsed by the EU, IFRS Interpretations Committee interpretations 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. The financial statements are presented in Sterling (£) and all values 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 sufficient resources to continue in business for the foreseeable future. The Directors also considered the impact of Brexit on the Company including conducting scenario analysis of the potential impact on profitability and the capital markets and assessing the Company's ability to refinance in this scenario. Considering the scenario analysis and the Company's current funding position, 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

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 16.

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

The financial statements are presented in Sterling which is the presentation and functional currency of the Company. The Company transacts wholly in Sterling.

(2) Financial instruments

(i) Date of recognition

Financial instruments are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

(ii) Classification of financial assets and financial liabilities

IFRS 9 Financial Instruments 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). Classification is based on the business model in which a financial asset is managed and the contractual cash flow characteristics of the financial instruments (whether these are solely payments of principal and interest or not). The Company's business model objective is to hold assets to collect the contractual cash flows. Any financial asset sales are incidental to the objective of the business model. The Company has assessed the contractual cash flow characteristics of its financial assets to be consistent with a basic lending arrangement, being cash flows that are predominantly payments of principal and interest on the principal amount outstanding. Accordingly, the Company's financial assets are classified as measured at amortised cost.

Financial liabilities are held either as fair value or amortised cost depending on the nature of the underlying instrument.

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(iii) Cash and cash equivalents

Cash and balances at bank, as referred to in the balance sheet, comprise cash and cash equivalents, non-restricted current accounts, restricted cash as detailed in note 7 and amounts due on demand or with an original maturity of three months or less.

(iv) Debt issued and other borrowed funds

Financial liabilities that are not designated at fair value through profit and loss are classified as liabilities under debt issued and other borrowed funds where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset.

After initial measurement, debt issued and other borrowed funds are measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on issue and directly attributable, incremental issue costs that are an integral part of the EIR.

(3) 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.

The Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset but it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement determined by the extent to which it is exposed to changes in the value of the transferred 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 income statement.

(4) Determination of fair value

For all financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist and other relevant valuation models.

(5) Impairment of financial assets

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company assesses impairment on a collective basis for all financial assets that are not individually significant.

IFRS 9 prescribes a forward-looking Expected Credit Loss (ECL) model for financial assets measured at amortised cost. An impairment provision is recognised on origination of a financial asset, based on its expected credit loss. Under IFRS 9, expected loss allowances are 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 (including those which are credit-impaired) or if it was purchased or originated credit-impaired (POCI), otherwise the 12-month ECL measurement applies.

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)
(5) Impairment of financial assets (continued)
(i) Financial assets carried at amortised cost (continued)
Financial assets where 12-month ECL is recognised are classified as 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk since initial recognition but are not credit-impaired, are classified as 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit-impaired, are classified as 'stage 3'.

(6) Recognition of income and expenses
Income and expenses are recognised to the extent that it is probable that economic benefits will flow to or from the Company and the amount can be reliably measured. The following specific recognition criteria must also be met before income or expenses are recognised:

(i) Interest and similar income and expense
Interest income and expense are recognised in the income statement using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying value of the financial assets; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments the Company estimates future cash flows considering all contractual terms of the financial instrument but not expected credit losses. The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(ii) Administration expenses
Administration expenses are recognised on an accruals basis, when the amounts are incurred by the Company and the amount can be reliably measured.

(7) Tax expense
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 amount are those that are enacted or substantively enacted by the reporting date.

At incorporation the Company was automatically and mandatorily entered into the permanent regime for the taxation of securitisation companies. Taxable profits under the permanent regime will equal the contractually retained profit as defined by the transaction documents.

(8) 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.

(9) Deemed Loan to Originator ("DLO")
The Company has purchased the rights to the benefits of designated credit card receivables of the Transferor from the Receivables Trust. The Transferor continues to recognise the credit card account receivables on its own balance sheet because it retains their risks and rewards through the receipt of substantially all of the profits or losses of the receivables. The purchase of the rights is reflected in the Company accounts as a deemed loan repayable by the Transferor, known as the Deemed Loan to Originator ("DLO").

The DLO is initially recorded at fair value with subsequent measurement including drawdowns, repayments, interest and impairment. The returns on the DLO are driven by the returns on the underlying credit cards used to collateralise this loan

2.3 Significant accounting judgements, estimates and assumptions
The Company has made no significant judgements, estimates or assumptions in the year.

Notes to the financial statements (continued)

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 2019 but do not have a significant impact on the Company:
- IFRS 16 'Leases';
- Amendments to IFRS 9 for prepayment features with negative compensation and modifications of financial liabilities;
- IFRIC 23 'Uncertainty over Income Tax Treatments';
- Amendments to IAS 19 'Employee benefits';
- Amendments to IAS 28 'Investments in Associates and Joint Ventures'; and
- Annual improvements to IFRSs 2015-2017 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:
- 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. The amendments are not expected to have a significant impact on the Company's financial statements;
- Amendments to IFRS 3 'Business Combinations'. The amendments provide more guidance on the definition of a business and are not expected to have a significant impact on the Company's financial statements.
- Amendments to IFRS 14 'Regulatory Deferral Accounts'. The amendments provide interim guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS and are not expected to have a significant impact on the Company's financial statements;
- IFRS 17 'Insurance Contracts'. IFRS 17 replaces IFRS 4 'Insurance Contracts' and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. This standard is not expected to have a significant impact on the Company's financial statements;
- Amendments to IAS 1 and IAS 8 for the definition of material. The amendments are not expected to have a significant impact on the Company's financial statements; and
- Amendments to References to Conceptual Framework in IFRS Standards. The amendments are not expected to have a significant impact on the Company's financial statements.

3. Interest and similar income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest income from the DLO	1.6	2.0
Other income due from Group entities	2.3	2.7
	3.9	4.7

Other income due from Group entities relates to income received to finance debt funding and other fees incurred.

4. Interest and similar expense

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest expense on the Senior Notes	1.5	1.5
Interest expense on the Subordinated Notes	0.8	1.2
Debt funding fees	0.1	0.2
	2.4	2.9

5. Administration expenses

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Servicing fees paid to other Group entities	1.5	1.8
	1.5	1.8

TMF Global Services (UK) Limited, performs administration services on behalf of the Company. Fees paid during the year to 31 December 2019 were £9,300 (2018: £8,900).

Notes to the financial statements (continued)

5. Administration expenses (continued)

The Company has no employees (2018: nil). The Directors did not receive any emoluments in respect of their services to the Company for the year ended 31 December 2019 (2018: £nil). External audit fees of £7,500 (2018: £5,500) for the audit of the Company's financial statements were borne by NewDay Cards Ltd, a member of the Group.

6. Tax expense

The components of income tax expense for the year ended 31 December 2019 were:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
UK corporation tax on profits for the year	-	-
Total tax expense	**-**	**-**

For the year ended 31 December 2019 the enacted UK Company tax rate was 19% (2018: 19%). The tax reconciliation is shown below:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit on ordinary activities before taxation	-	-
Total taxable profit	**-**	**-**
Tax charge at average of 19% (2018: 19%)	-	-
Total tax expense	**-**	**-**

7. Cash and balances at bank

	As at 31 December 2019 £m	As at 31 December 2018 £m
Cash held at banks	0.3	0.2
	0.3	**0.2**

8. Amounts due from other Group entities

	As at 31 December 2019 £m	As at 31 December 2018 £m
The DLO	52.5	22.0
	52.5	**22.0**

The DLO is held with NewDay Funding Transferor Ltd.

9. Debt issued and other borrowed funds

	As at 31 December 2019 £m	As at 31 December 2018 £m
Senior Notes	40.1	17.6
Capitalised debt funding fees	(0.3)	(0.3)
	39.8	**17.3**

The contractual redemption date of the Senior Notes is 15 July 2023 with a scheduled maturity date of 15 December 2025.

Notes to the financial statements (continued)

10. Amounts owed to other Group entities

	As at 31 December 2019 £m	As at 31 December 2018 £'000
Subordinated Notes	12.4	4.4
Amounts owed to other Group entities	0.6	0.5
	13.0	4.9

Amounts owed to other Group entities are in relation to interest income on bank accounts, accrued servicing fees and cash received in advance to pay future fees. The balance is non-interest bearing.

11. Share capital and reserves

	As at 31 December 2019 £	As at 31 December 2018 £
Ordinary share of £1, issued, fully paid and called up	2	2
	2	2

Issued and called up share capital ordinary share (£1)	2019 Number of shares	2019 Nominal value £	2018 Number of shares	2018 Nominal value £
Subscriber share on incorporation				
Issue of shares	2	2	2	2
As at 31 December	2	2	2	2

The Company was incorporated with a share capital of £2 comprising 2 fully paid ordinary shares of £1, issued on 11 May 2015. TMF Trustee Limited hold in full the Company's entire issued share capital on a discretionary trust basis.

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.

No dividends were proposed or paid during the year ended 31 December 2019 (2018: £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 resources to ensure that there is sufficient capital to meet the needs of its operations.

The Company is subject to internal capital requirement in the form of a fixed monthly retained profit. The retained profit is £100 per month, the transactions of the Company are structured to ensure that this amount is retained each month.

Notes to the financial statements (continued)

12. 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.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments. During the year there have been no transfers between levels (2018: none).

As at 31 December 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total Carrying value £m	Fair value £m
Financial assets					
Cash and balances at bank	-	0.3	-	0.3	0.3
Amounts due from Group entities	-	52.5	-	52.5	52.5
Total financial assets	**-**	**52.8**	**-**	**52.8**	**52.8**
Financial liabilities					
Debt issued and other borrowed funds	-	-	(39.8)	(39.8)	(39.8)
Amounts owed to other Group entities	-	(13.0)	-	(13.0)	(13.0)
Total financial liabilities	**-**	**(13.0)**	**(39.8)**	**(52.8)**	**(52.8)**

As at 31 December 2018	Level 1 £m	Level 2 £m	Level 3 £m	Total Carrying value £m	Fair value £m
Financial assets					
Cash and balances at bank	-	0.2	-	0.2	0.2
Amounts due from Group entities	-	22.0	-	22.0	22.0
Total financial assets	**-**	**22.2**	**-**	**22.2**	**22.2**
Financial liabilities					
Debt issued and other borrowed funds	-	-	(17.3)	(17.3)	(17.3)
Amounts owed to other Group entities	-	(4.9)	-	(4.9)	(4.9)
Total financial liabilities	**-**	**(4.9)**	**(17.3)**	**(22.2)**	**(22.2)**

Cash and balances at bank:
These items have a short term maturity (usually less than three months) and it is assumed that the carrying amounts approximate to their fair value.

Amounts due from/owed to other Group entities:
These balances contain the Subordinated Notes and the DLO. For these instruments, which do not have quoted prices from active markets to determine a fair value approximation, an adjustment is made to reflect the change in required credit spread since the instrument was first recognised.

Debt issued and other borrowed funds:
This balance contains the Senior Notes issued to external banks. These instruments do not have quoted prices from active markets and have been classed as level 3.

Other liabilities:
Other liabilities are made up of accounts payable and accruals. The fair value of other liabilities approximates to their carrying value because of their short term horizon to maturity.

Notes to the financial statements (continued)

13. Credit risk
The Company is subject to a risk of credit default on all its intercompany lending. The repayment is dependent on the performance of the counterparties which is reviewed on a regular basis.

14. Interest risk
The Company is not subject to interest rate risk as the terms of the Company's liabilities are matched to those of its assets.

15. Liquidity and funding risk
Liquidity and funding risk is the risk that the Company is not able to meet its liabilities when they are due under normal conditions. The maturity profile of the DLO is structured to match the contractual profile of the Senior Notes and Subordinated Notes, which effectively mitigates the overall liquidity risk.

The table below summarises the scheduled maturity profile of the undiscounted cash flows of the Company's financial liabilities as at 31 December 2019.

Scheduled maturities of undiscounted cash flows of financial liabilities:

	As at 31 December 2019					
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Financial liabilities						
Debt issued and other borrowed funds	-	0.3	0.8	41.0	-	42.1
Amounts owed to other Group entities	0.6	0.4	1.1	5.6	16.2	23.9
	0.6	**0.7**	**1.9**	**46.6**	**16.2**	**66.0**

	As at 31 December 2018					
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Financial liabilities						
Debt issued and other borrowed funds	-	0.2	0.5	18.7	-	19.4
Amounts owed to other Group entities	0.5	0.1	0.4	4.9	-	5.9
	0.5	**0.3**	**0.9**	**23.6**	**-**	**25.3**

16. 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 2019		
	< 12 months £m	> 12 months £m	Total £m
Assets			
Cash and balances at bank	0.3	-	0.3
Amounts due from other Group entities	0.1	52.4	52.5
Total assets	**0.4**	**52.4**	**52.8**
Liabilities			
Debt issued and borrowed funds	(0.1)	(39.7)	(39.8)
Amounts owed to other Group entities	-	(13.0)	(13.0)
Total liabilities	**(0.1)**	**(52.7)**	**(52.8)**

Notes to the financial statements (continued)

16. Maturity analysis of assets and liabilities (continued)

	As at 31 December 2018		
	< 12 months £m	> 12 months £m	Total £m
Assets			
Cash and balances at bank	0.2	-	0.2
Amounts due from other Group entities	0.3	21.7	22.0
Total assets	**0.5**	**21.7**	**22.2**
Liabilities			
Debt issued and borrowed funds	(0.1)	(17.2)	(17.3)
Amounts owed to other Group entities	(0.2)	(4.7)	(4.9)
Total liabilities	**(0.3)**	**(21.9)**	**(22.2)**

17. Parent undertaking, controlling party and consolidation

The Company's immediate parent undertaking is TMF Trustee Limited, a Company registered in the United Kingdom that holds in full the entire beneficial interest in the issued share capital of the Company on discretionary trust.

In accordance with IFRS 10: Consolidated Financial Statements, the Company's financial statements are consolidated into the financial statements of NewDay Group (Jersey) Ltd on the basis of rights to variable returns and power and ability to affect the variable returns. Copies of NewDay Group (Jersey) Ltd consolidated financial statements are available from the Group's website www.newday.co.uk or its registered offices at:

27 Esplanade
St Helier
Jersey
JE1 1SG

18. Related party transactions

The Company has both assets and liabilities due from Group entities. Details of the balances as at 31 December 2019 and interest and similar amounts paid and received in the year ended 31 December 2019 are detailed below:

	Year ended 31 December 2019 £m	As at 31 December 2019 £m
Other assets due from other Group entities	n/a	52.5
Other liabilities due to other Group entities	n/a	(13.0)
Interest and similar amounts received from Group entities	3.9	n/a
Interest and similar amounts paid to Group entities	(2.3)	n/a
Administration expenses	(1.5)	n/a

	Year ended 31 December 2018 £m	As at 31 December 2018 £m
Other assets due from other Group entities	n/a	22.0
Other liabilities due to other Group entities	n/a	(4.9)
Interest and similar amounts received from Group entities	4.7	n/a
Interest and similar amounts paid to Group entities	(2.7)	n/a
Administration expenses	(1.8)	n/a

The Company has no employees and services required are contracted from NewDay Cards Limited and third parties. No Directors' remuneration was paid by the Company in respect of qualifying services rendered during the year under review (2018: £nil).

TMF Global Services (UK) Limited, performs administration services on behalf of the Company. Fees paid during the year were £9,300 (2018: £8,900).

19. Post balance sheet events

There have been no post balance sheet events between 31 December 2019 and 5 March 2020, the date the accounts were authorised for issue by the Directors.