NewDay Ltd

Company number 07297722

Annual report and financial statements

31 December 2020

Contents

General information

Directors

James Corcoran
Ian Corfield
Mark Eyre
Rob Holt
John Hourican
Rupert Keeley
Sir Michael Rake
Alison Reed
Sanjay Sharma
Paul Sheriff

Company secretary

Stephen 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 the Company for the year ended 31 December 2020.

Incorporation and principal activity

NewDay Ltd (the "Company") was incorporated and domiciled in England and Wales on 28 June 2010 and is a wholly owned subsidiary of NewDay Cards Ltd. The Company has legal ownership of the customer accounts that are beneficially owned by NewDay Funding Transferor Ltd, NewDay Partnership Transferor Plc and NewDay UPL Transferor Ltd (collectively the "Transferors"). The Company is the licenced issuer for all credit cards and unsecured personal loans, with servicing activities provided by NewDay Cards Ltd.

The Company is a principal member of the mastercard payment scheme and satisfies regulatory obligations to the Financial Conduct Authority and the Financial Ombudsman Service. The Company generates revenue from the provision of payment scheme services, and in turn is charged a fee for servicing activities completed on its behalf.

Review of the Company's business and future developments

The Company generated a profit after tax of £2.2m in the year ended 31 December 2020 (31 December 2019: profit of £3.8m). Revenue decreased to at £5.5m (31 December 2019: £6.1m) and administrative expenses increased to £3.3m (31 December 2019: £2.3m).

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 overall risk appetite of the Company is low, which is reflected in the structuring of and the flow of transactions it is a party to.

Key performance indicators (KPIs)

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.

Results and dividends

The audited financial statements and associated notes for the year ended 31 December 2020 are set out on pages 10 to 20. The profit for the year after taxation was £2.2m (31 December 2019: £3.8m) as shown in the statement of profit and loss and other comprehensive income on page 10. The profit before tax for the year has been added to reserves.

The Directors do not propose the payment of a dividend for the year ended 31 December 2020 (31 December 2019: £nil).

On behalf of the Board

Paul Sheriff
Director
10 March 2021

Directors' report

The Directors present their report for the year ended 31 December 2020.

Directors and company secretary

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

James Corcoran
Ian Corfield
Mark Eyre
Rob Holt
John Hourican
Rupert Keeley
Sir Michael Rake
Alison Reed
Sanjay Sharma
Paul Sheriff
Sir Malcolm Williamson (resigned 31 March 2020)

The Company Secretary who served throughout the year, was Stephen Rowland.

Ian Corfield, Mark Eyre, Rob Holt, John Hourican, Sanjay Sharma and Paul Sheriff are all Executive Directors.

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 ultimately dependent on the performance of its parent company, NewDay Cards Ltd, to receive income for the provision of account compliance and payment scheme services.

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 have considered the impact of Brexit and the COVID-19 pandemic 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.

The Directors also considered the position of NewDay Group (Jersey) Limited, its ultimate parent, in conjunction with the wider Group. The Directors of NewDay Group (Jersey) Limited have concluded that there are no material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and that it is appropriate to prepare the Group's financial statements on a going concern basis. The audit report on the financial statements of NewDay Group (Jersey) Limited is not qualified and does not contain an emphasis of matter paragraph in respect on going concern.

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 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.

These financial statements were authorised for issued on behalf of the Board.

Paul Sheriff
Director
10 March 2021

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 Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 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 IAS in conformity with the requirements of the Companies Act 2006;
- 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

Paul Sheriff
Director
10 March 2021

Independent auditor's report

Opinion
We have audited the financial statements of NewDay Ltd ("the Company") for the year ended 31 December 2020 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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
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").

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.

Our conclusions based on this work:
- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect
Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud as part of the NewDay Group's overall risk assessment (which incorporates the Company). Our risk assessment procedures included:
- Enquiring of Directors, Those Charged With Governance, Internal Audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Internal Audit function, and the Company's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Board Audit Committee and Board Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management under the Group's Management Incentive Plan.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited complexity/judgment applied in the calculation and recognition of revenue.

Independent auditor's report (continued)

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those whose descriptions contained reference to Group executives.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

In addition, our assessment of risks involved gaining an understanding of the control environment including the Company's procedures for complying with laws and regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: conduct, bribery, money laundering and financial crime and certain aspects of Company legislation recognising the financial nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

Independent auditor's report (continued)

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 6, 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.

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 Street
Leeds
LS1 4DA

10 March 2021

Statement of profit and loss and other comprehensive income

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Servicing fee income	3	5.5	6.1
Total income		**5.5**	**6.1**
Administrative expenses	4	(3.3)	(2.3)
Total administrative expenses		**(3.3)**	**(2.3)**
Profit before tax		**2.2**	**3.8**
Tax income/(expense)	5	-	-
Profit after tax		**2.2**	**3.8**
Other comprehensive income		-	-
Total comprehensive income for the year		**2.2**	**3.8**

The profit for the year is from continuing operations.

The notes on pages 14 to 20 form an integral part of these statutory financial statements.

Statement of financial position

	Note	As at 31 December 2020 £m	As at 31 December 2019 £m
Assets			
Loans and advances to banks	6	26.0	26.2
Other assets	7	0.3	1.0
Amounts due from other Group entities	8	10.1	13.9
Total assets		**36.4**	**41.1**
Liabilities			
Other liabilities	9	3.8	3.2
Amounts due to other Group entities	10	11.7	19.2
Provisions	11	0.3	-
Current tax liability		-	0.3
Total liabilities		**15.8**	**22.7**
Net assets		**20.6**	**18.4**
Capital and reserves			
Share capital	12	1.2	1.2
Capital contribution	12	1.3	1.3
Retained earnings		18.1	15.9
Total equity		**20.6**	**18.4**

The notes on pages 14 to 20 form an integral part of these statutory financial statements.

The statutory financial statements on pages 10 to 20 were approved by the Board of Directors on 10 March 2021 and signed on its behalf by:

Paul Sheriff
Director

Company Number 07297722

Statement of changes in equity

	Share capital £m	Capital contribution £m	Retained earnings £m	Total equity £m
At 1 January 2020	1.2	1.3	15.9	**18.4**
Total comprehensive income for the year	-	-	2.2	**2.2**
At 31 December 2020	**1.2**	**1.3**	**18.1**	**20.6**

	Share capital £m	Capital contribution £m	Retained earnings £m	Total equity £m
At 1 January 2019	1.2	1.3	12.1	**14.6**
Total comprehensive income for the year	-	-	3.8	**3.8**
At 31 December 2019	**1.2**	**1.3**	**15.9**	**18.4**

The notes on pages 14 to 20 form an integral part of these statutory financial statements.

Statement of cash flows

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Operating activities		
Profit before tax	2.2	3.8
Working capital adjustments:		
Increase in loans and advances to banks repayable in more than three months	(7.2)	(0.4)
Increase in other assets	0.7	(0.8)
(Increase)/decrease in amounts due from other Group entities	3.8	(9.0)
Increase/(decrease) in other liabilities	0.7	1.3
(Decrease)/increase in amounts due to other Group entities	(7.5)	(5.1)
Increase in provisions	(0.1)	-
Net cash generated from operating activities	**(7.4)**	**(10.2)**
Net increase in cash and cash equivalents	(7.4)	(10.2)
Cash and cash equivalents at beginning of year	9.4	19.6
Cash and cash equivalents at end of year	**2.0**	**9.4**

The notes on pages 14 to 20 form an integral part of these statutory financial statements.

Notes to the financial statements

1. Corporate information

NewDay Ltd (the "Company") was incorporated and domiciled in England and Wales on 28 June 2010. It was incorporated as Progressive Credit Limited, but changed its name to NewDay Ltd on 1 April 2014. The 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 2020 were authorised for issue by the Board of Directors on 10 March 2021.

2. Accounting policies

2.1 Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006. The comparative information has been prepared in accordance with IFRS as endorsed by the EU, there is no difference between IAS and IFRS endorsed by the EU therefore the change has had no impact on the financial statements.

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

Going concern

The Company is ultimately dependent on the performance of its parent company, NewDay Cards Ltd, to receive income for the provision of account compliance and payment scheme services.

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 and the COVID-19 pandemic 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.

The directors' considerations in respect of going concern are explained in further detail in the Directors' report on page 4.

Presentation of financial statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the 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

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Servicing fee income is recognised when it becomes due in accordance with contractual agreements between the Company and NewDay Cards Ltd.

(ii) Expenses

Operating expenses are recognised to the extent that the amounts have been incurred and can be measured reliably. Administration costs are recognised when they become due in accordance with contractual agreements between the Company and NewDay Cards Ltd.

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

(3) Tax
(i) 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.

(ii) Deferred tax
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is determined using the tax rate and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related tax asset is realised or the tax liability is settled. Deferred tax assets are recognised only when it is probably that future taxable profits will be available against which these temporary differences can be utilised, The carrying 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.

(4) Cash and balances with banks
Cash and balances with banks as referred to in the statement of financial position comprise cash in hand, restricted current accounts and amounts due on demand or with an original maturity of three months or less. Amounts which are restricted are detailed in note 8.

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

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

(6) Provisions
Provisions are recognised where a present obligation (legal or constructive) exists as a result of a past event, it is probably the Company will be required to settle that obligation and a reliable estimate of the obligation can be made. The amount recognised is the best estimate of the consideration required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The Group 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.

(7) 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.

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

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 2020 but do not have a significant impact on the Company:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8 for the definition of material;
- Amendments to IFRS 3 'Business Combinations'; and
- Amendments to IFRS 9, IAS 39 and IFRS 7 for interest rate benchmark reform.

2.5 Standards issued but not yet effective
The following accounting standards and interpretations have been issued by the International Accounting Standards Board (IASB) and adopted by the UK but have not been early adopted by the Company:

- Amendment to IFRS 16 'Leases' for COVID-19 released rent concessions. This amendment is not expected to have a significant impact on the Company's financial statements;
- Interest Rate Benchmark Reform- Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments are not expected to have a significant impact on the Company's financial statements;
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. This amendment clarifies the costs that comprise the costs of fulfilling a contract. This amendment is not expected to have a significant impact on the Company's financial statements;
- Amendment to IFRS 16 'Leases' for property, plant and equipment: proceeds before intended use. This amendment provides more guidance on accounting for the proceeds from selling items before the related item of property, plant and equipment is available for use. The amendment is not expected to have a significant impact on the Company's financial statements;
- 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;
- Amendments to IAS 1 'Presentation of Financial Statements'. The amendments provide more guidance on the definition of a current and non-current liability. The amendments are not expected to have a significant impact on the Company's financial statement;
- 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; and
- Annual improvements to IFRS Standards 2018-2020. This standard is not expected to have a significant impact on the Company's financial statements.

3. Servicing fees

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Servicing fees	5.5	6.1
	5.5	**6.1**

4. Administrative expenses

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Administration costs	3.3	2.3
	3.3	**2.3**

External audit fees of £8,000 for the audit of the Company's financial statements were borne by NewDay Cards Ltd (2019: £7,500).

Notes to the financial statements (continued)

5. Taxation

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Tax expense	-	-
	-	-

For the period from 1 January 2020 to 31 December 2020 the enacted UK corporation tax rate was 19.00% (2019: 19.00%).

The tax reconciliation is shown below:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit before tax	2.2	3.8
Tax charge at average UK corporation tax at 19.00% (2019: 19.00%)	0.4	0.7
Effects of :		
Group losses offset against Company profits	(0.4)	(0.7)
Tax expense	-	-

6. Loans and advances to banks

	As at 31 December 2020 £m	As at 31 December 2019 £m
Cash and cash equivalents	2.0	9.4
Restricted cash	24.0	16.8
	26.0	**26.2**

Cash and balance with banks are held with large commercial banks. Restricted cash of £24.0m is restricted for more than one year and consists of ring fenced cash in relation to loans and advances to customers (2019: £16.8m).

7. Other assets

	As at 31 December 2020 £m	As at 31 December 2019 £m
Prepayments and accrued income	0.3	1.0
	0.3	**1.0**

8. Amounts due from other Group entities

	As at 31 December 2020 £m	As at 31 December 2019 £m
Amounts due from other Group entities	10.1	13.9
	10.1	**13.9**

Amounts due from other Group entities are unsecured, have no fixed date for repayment and no interest accrues on these amounts.

Notes to the financial statements (continued)

9. Other liabilities

	As at 31 December 2020 £m	As at 31 December 2019 £m
Trade payables and accruals	3.5	2.9
Other liabilities	0.3	0.3
	3.8	**3.2**

10. Amounts due to other Group entities

	As at 31 December 2020 £m	As at 31 December 2019 £m
Amounts due to other Group entities	11.7	19.2
	11.7	**19.2**

Amounts due to other Group entities are unsecured, repayable on demand and no interest accrues on the balances.

11. Provisions

	As at 31 December 2020 £m	As at 31 December 2019 £m
Opening provisions	-	0.3
Arising during the year	0.3	-
Utilised during the year	-	(0.3)
	0.3	**-**

12. Share capital and reserves

	As at 31 December 2020 £m	As at 31 December 2019 £m
Share capital	1.2	1.2
Capital contribution	1.3	1.3
	2.5	**2.5**

Called up and fully paid share capital	**Issued share capital**	
Ordinary shares (£1 each)	**Number of shares**	**Nominal value £**
As at 31 December 2019 and 2020	**1,166,933**	**1,166,933**

The Company was incorporated on 28 June 2010 and has authorised share capital of 1,166,933 £1 ordinary shares. The shares are non-redeemable and hold full rights in respect of voting and entitle the holders to full participation in respect of equity and in the event of winding up of the Company. The share capital is wholly owned by NewDay Cards Ltd.

In accordance with the Companies Act 2006, the Company has no authorised capital other than its issued capital. These shares rank equally in respect of rights attaching to voting, dividends and in the event of winding up of the Company.

No dividends were paid or proposed during the year (2019: £nil). No dividends have been declared post year end.

The Company's capital is represented by the capital and reserves attributable to equity holders. As an Authorised Payment Institution, the Company is subject to externally imposed capital requirements by the Financial Conduct Authority (FCA) under the Payment Services Regulations (2017). During the year, the Company complied with all externally imposed capital requirements. The Company manages its capital and reserves in to ensure there is sufficient capital to meet the needs of its operations.

Notes to the financial statements (continued)

13. 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 having a significant effect on the recorded fair value not based on observable market data.

Fair value of financial instruments carried at amortised cost

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments.

	As at 31 December 2020				
	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value £m	Fair value £m
Financial assets					
Loans and advances to banks	-	26.0	-	26.0	26.0
Amounts due from other Group entities	-	10.1	-	10.1	10.1
Total financial assets	**-**	**36.1**	**-**	**36.1**	**36.1**
Financial liabilities					
Other liabilities	-	(3.8)	-	(3.8)	(3.8)
Amounts due to other Group entities		(11.7)	-	(11.7)	(11.7)
Total financial liabilities	**-**	**(15.5)**	**-**	**(15.5)**	**(15.5)**

	As at 31 December 2019				
	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value £m	Fair value £m
Financial assets					
Loans and advances to banks	-	26.2	-	26.2	26.2
Amounts due from other Group entities	-	13.9	-	13.9	13.9
Total financial assets	**-**	**40.1**	**-**	**40.1**	**40.1**
Financial liabilities					
Other liabilities	-	(3.2)	-	(3.2)	(3.2)
Amounts due to other Group entities		(19.2)	-	(19.2)	(19.2)
Total financial liabilities	**-**	**(22.4)**	**-**	**(22.4)**	**(22.4)**

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 and amounts due from other Group entities:
Other assets consist of loans and receivables. The fair value of other assets approximates to their carrying value because there have been no significant 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.

Notes to the financial statements (continued)

13. Fair value of financial instruments (continued)

Other liabilities and amounts due to other Group entities:

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 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.

14. Controlling party and consolidation

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

The financial statements of the Company are consolidated into the financial statements of NewDay Group (Jersey) Ltd on the basis that:

- it has the power to govern the financial and operating policies of the Company;
- has the exposure, or rights to the variable returns from involvement with the Company; and
- is able to use its powers to affect the amount of returns of the Company.

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

27 Esplanade
St Helier
Jersey
JE1 1SG

15. Related party transactions

	Year ended 31 December 2020 £m	As at 31 December 2020 £m	Year ended 31 December 2019 £m	As at 31 December 2019 £m
Related parties				
Amounts due from related parties	n/a	10.1	n/a	13.9
Amounts owed to related parties	n/a	(11.7)	n/a	(19.2)
Other income from related parties	5.5	n/a	6.1	n/a
Other expenses paid to related parties	(2.3)	n/a	(2.1)	n/a

The Company has no employees (2019: none). No Directors' remuneration was paid by the Company during the year (2019: £nil). Directors' remuneration is borne by NewDay Cards Ltd. Details of Directors' emoluments are provided in note 27 of the Group's consolidated financial statements.

The Company received fee income from NewDay Cards Ltd of £5.5m (2019: £6.1m) in relation to the administration of the *aqua, marbles, opus and fluid* credit card portfolio's as well as the Co-brand credit cards. The Company paid NewDay Cards Ltd £2.3m (2019: £2.1m) in relation to overheads incurred by NewDay Cards Ltd.