

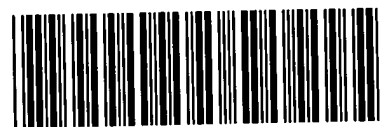
NewDay UK Limited

Company Number 10440054

Annual report and financial statements

31 December 2019

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General information

Directors

John Hourican
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 NewDay UK Limited (the "Company") for the year ended 31 December 2019.

Incorporation and principal activity

The Company was incorporated and domiciled in England and Wales as Nemean HoldCo 2 Limited on 21 October 2016, but changed its name to NewDay UK Limited on 4 May 2017. The Company is an intermediate holding company.

Review of the Company's business and future developments

Prior to 26 January 2017, the Company was dormant. On 26 January 2017 the Company issued two loans notes to NewDay BondCo Plc: a fixed rate note of £275.0m at an interest rate of 7.375% per annum maturing in 2024 and a floating rate note of £150.0m at an interest rate of three-month LIBOR plus a margin of 6.5% per annum maturing in 2023 (collectively the "BondCo Loan Notes"). On the same day the Company purchased two loan notes from NewDay Group (Jersey) Limited (collectively the "Jersey Loan Notes"), with amounts and terms identical to those of the BondCo Loan Notes.

On 13 April 2017 the Company acquired 100% of the share capital of NewDay Holdings Ltd from NewDay Group Holdings S.à r.l. for consideration of £483.7m. The consideration was settled via the issuance of a loan note to NewDay Group Holdings S.à r.l. for £483.7m (the "Lux Loan Note"). Interest is charged on the loan note at 9% per annum and has a maturity date of 2027. NewDay Group Holdings S.à r.l. sold the Lux Loan Note on 28 April 2017 to NewDay Group (Jersey) Limited.

On 21 December 2018 the Company issued £3.1m of fixed rate unsecured PIK notes due 2027 at an interest rate of 9% per annum to NewDay Group (Jersey) Limited (the "PIK Notes").

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

Principal risks and uncertainties

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

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

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

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

As at 31 December 2019, the Company has net liabilities amounting to £54.4m (31 December 2018: £63.7m). The Company is funded primarily through its parent company and other Group or related entities. At the year end date, the ultimate parent, NewDay Group (Jersey) Limited has undertaken not to withdraw its financial support from the Company for a period of at least one year from the date of approval of these financial statements.

Strategic report (continued)

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 2019 are set out on pages 13 to 24. The profit for the year after taxation was £9.3m (2018: £32.3m loss) as shown in the statement of profit and loss on page 13.

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

On behalf of the Board



Paul Sheriff
London
Director
5 March 2020

Directors' report

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

Directors

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

James Corcoran (resigned 16 October 2019)

John Hourican (appointed 16 October 2019)

Paul Sheriff

Stephen Rowland held the office of secretary during the year and up to the date of this report.

The Group maintains appropriate insurance cover in the unlikely event of legal action being brought against the Directors.

Corporate governance statement

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

Going concern

The Company is dependent on the performance of NewDay Cards Ltd to ensure the carrying value of its investment in NewDay Holdings Ltd is recoverable. 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 as outlined in the statement of Directors' responsibilities.

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

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 issue on behalf of the Board.



Paul Sheriff
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



Paul Sheriff
Director
5 March 2020



Independent auditor's report

1. Our opinion is unmodified

We have audited the financial statements of NewDay UK 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 profit 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:	£6,400,000 (2018:£4,500,000)
financial statements as a whole	0.7% of Total Assets 2018: 0.7% of Total Asset

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
<p>The impact of uncertainties due to the UK exiting the European Union on our audit</p> <p><i>Refer to page 3 (Strategic Report)</i></p>	<p>Unprecedented levels of uncertainty</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> — 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. <p>Our results</p> <p>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.</p>

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

	The risk	Our response
<p>Recoverability of intercompany balances</p> <p>Investment in NewDay Holding Ltd: (£435.3m; 2018: £435.3m)</p> <p><i>Refer to page 17 (accounting policy) and page 22 (financial disclosures).</i></p>	<p>Low risk, high value:</p> <p>The carrying amount of the intra-group debtor balances represents 52.6% (2018: 52.6%) of the Company's total assets.</p> <p>The recoverability of this investment is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality 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.</p>	<p>Our procedures included:</p> <p>Test of detail: Comparing the carrying amount of the investment in NewDay Holdings Ltd with its financial statements to identify whether the net assets, being an approximation of the minimum recoverable amount, was in excess of the carrying amount. We also assessed whether there were any events which could have impacted the carrying value of NewDay Holdings Ltd. This included any adjusting post balance sheet events.</p> <p>Our Sector Experience: Comparing the carrying amount of the investment with the expected value of the business based on expected future cash flows of this business.</p> <p>Assessing Transparency: We assessed the adequacy of the Company's disclosures in respect of the recoverability of the investment in NewDay Holdings Ltd.</p>

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 £6,400k (2018: £4,500k), determined with reference to a benchmark of total assets (of which it represents 0.7% (2018: 0.7%)).

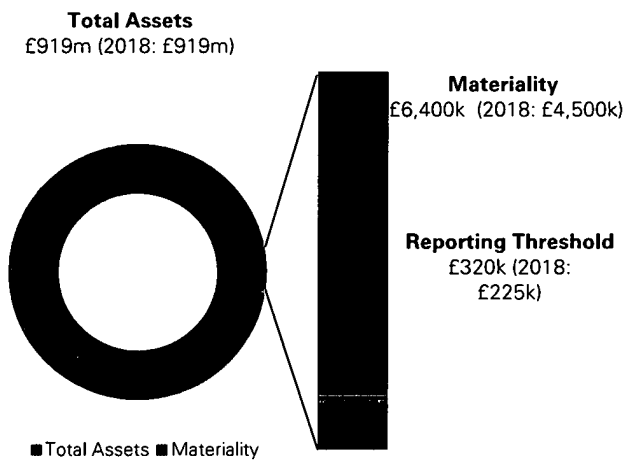
We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £320k (2018: £225k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

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.



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.

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.



**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

		Year ended 31 December 2019	Year ended 31 December 2018
	Note	£m	£m
Income from shares in Group entities		56.7	13.0
Interest and similar income	3	31.4	31.0
Interest and similar expense	4	(78.8)	(76.3)
Net operating profit/(loss)		9.3	(32.3)
Profit/(loss) before tax		9.3	(32.3)
Tax expense	6	-	-
Profit/(loss) for the year		9.3	(32.3)
Other comprehensive income		-	-
Total comprehensive expense for the year		9.3	(32.3)

The notes on pages 17 to 24 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			
Investment in subsidiary	7	483.7	483.7
Amounts due from other Group entities	8	435.3	435.3
Total assets		919.0	919.0
Liabilities			
Amounts due to other Group entities	9	973.4	982.7
Total liabilities		973.4	982.7
Net liabilities		(54.4)	(63.7)
Capital and reserves			
Share capital	10	-	-
Retained losses		(54.4)	(63.7)
Total deficit		(54.4)	(63.7)

The notes on pages 17 to 24 form an integral part of these statutory financial statements.

The financial statements on pages 13 to 24 were approved by the Board of Directors on 5 March 2020 and signed on its behalf by:



Paul Sheriff
Director

Company number 10440054

Statement of changes in equity

	Share capital £m	Retained losses £m	Total deficit £m
At 1 January 2019	-	(63.7)	(63.7)
Total comprehensive expense for the year	-	9.3	9.3
At 31 December 2019	-	(54.4)	(54.4)
	Share capital £m	Retained losses £m	Total deficit £m
At 1 January 2018	-	(31.4)	(31.4)
Total comprehensive expense for the year	-	(32.3)	(32.3)
At 31 December 2018	-	(63.7)	(63.7)

The notes on pages 17 to 24 form an integral part of these statutory financial statements.

Statement of cash flows

		Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
	Note		
Operating activities			
Reconciliation of loss before tax to net cash generated from operating activities			
Profit/(loss) before tax		9.3	(32.3)
Interest and similar expense	4	78.8	76.3
Changes in working capital:			
Decrease/(increase) in amounts due from other Group entities	8	-	0.1
Increase in amounts due to other Group entities		-	-
Interest and similar expense paid		(88.1)	(44.1)
Net cash generated from operating activities		<u>-</u>	<u>-</u>
Cash flows from investing activities			
Investment in subsidiary	7	-	-
Net cash used in investing activities		<u>-</u>	<u>-</u>
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		<u>-</u>	<u>-</u>

The notes on pages 17 to 24 form an integral part of these statutory financial statements.

Notes to the financial statements

1. Corporate information

NewDay UK Limited (the "Company") was incorporated in England and Wales on 21 October 2016. It was incorporated as Nemean Holdco 2 Limited, but changed its name to NewDay UK Limited on 4 May 2017. The address of its registered office is included on page 2. The principal activities of the Company are described in the strategic report.

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

2. Accounting policies

2.1 Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS as endorsed by the EU and the International Financial Reporting Committee (IFRIC) 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, are presented in Sterling and all 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.

2.2 Summary of significant accounting policies

(1) Foreign currency

The Financial Statements are presented in Sterling which is the presentational 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.

(iii) Loans and advances to banks

Loans and advances to banks, comprise cash and cash equivalents, non-restricted current accounts, restricted cash and amounts due on demand or with an original maturity of three months or less.

Notes to the financial statements (continued)

(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)

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.

(7) Tax expense

(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 value 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 probable that future taxable profits will be available against which these temporary differences can be utilised. The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

(8) Investment in subsidiary undertaking

The Company's equity investment in its subsidiary undertaking, NewDay Holdings Ltd, is recorded at cost less a provision for impairment. At each reporting date an assessment is undertaken to determine whether there is any indication of impairment.

The Company has elected to prepare separate financial statements and applied the exemption from consolidation available under IAS 27 'Consolidated and Separate Financial Statements'. The financial statements of the Company and its subsidiary are consolidated into the financial statements of NewDay Group (Jersey) Limited, which are publicly available.

(9) Share capital

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.

(10) 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.

Notes to the financial statements (continued)

2.3 Significant accounting judgements, estimates and assumptions

In the process of applying the Company's accounting policies in conformity with IFRS, the Directors have exercised judgement and used estimates in determining the amounts recognised in the financial statements. The most significant uses of judgement and estimates are as follows:

Impairment of investment

The Company assesses at each reporting date whether there is any objective evidence that its investment in its subsidiary is impaired. If such evidence exists, the Company estimates the recoverable amount and the investment will be written down to this amount if this is lower than the carrying value. Impairment losses are recognised in the statement of profit and loss.

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 receivable on the Jersey Loan Notes	31.4	31.0
	31.4	31.0

4. Interest and similar expense

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest payable on the BondCo Loan Notes	31.4	31.0
Interest payable on the Lux Loan Note	47.4	45.3
	78.8	76.3

Notes to the financial statements (continued)

5. Administration expenses

The Company has no employees (2018: none). The directors did not receive any emoluments in respect of their services to the Company for the year (2018: £nil). These costs were borne by NewDay Cards Limited.

External audit fees of £7,500 (2018: £7,500) for the audit of the Company's financial statements were also borne by NewDay Cards Ltd.

6. Tax expense

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Tax expense	-	-
	-	-

For the period from 1 January 2019 to 31 December 2019 the enacted UK corporation tax rate was 19.00% (2018: 19.00%).

The tax reconciliation is shown below:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit/(loss) on ordinary activities before taxation	9.3	(32.3)
Tax charge at average UK corporation tax at a rate of 19.00% (2018: 19.00%)	1.8	(6.1)
Effects of :		
Disallowable items and allowable deductions	(6.0)	1.9
Company losses offset against Group profits	4.2	4.2
Tax expense	-	-

7. Investment in subsidiary

The Company holds a 100% share of the ordinary shares of NewDay Holdings Ltd.

	As at 31 December 2019 £m	As at 31 December 2018 £m
At 1 January 2019/2018	483.7	483.7
Investments during the year	-	-
	483.7	483.7

As referred to in the strategic report, on 13 April 2017 the Company acquired 100% of the ordinary share capital of NewDay Holdings Ltd for consideration of £483.7m from NewDay Group Holdings S.à r.l..

The Directors considered the carrying value of the investment in its subsidiary and concluded that no impairment is required.

The principal place of business of NewDay Holdings Ltd is in the United Kingdom and its registered office is 7 Handyside Street, London, N1C 4DA.

Notes to the financial statements (continued)

8. Amounts due from other Group entities

	As at 31 December 2019 £m	As at 31 December 2018 £m
Jersey Loan Notes	435.3	435.3
	435.3	435.3

On 26 January 2017 the Company purchased two loan notes from NewDay Group (Jersey) Limited: a fixed rate note of £275.0m at an interest rate of 7.375% per annum due 2024; and a floating rate note of £150.0m at an interest rate of three-month LIBOR plus a margin of 6.5% per annum due 2023.

9. Amounts due to other Group entities

	As at 31 December 2019 £m	As at 31 December 2018 £m
The BondCo Loan Notes	435.3	435.3
Lux Loan Note	535.0	544.3
PIK Notes	3.1	3.1
	973.4	982.7

On 26 January 2017 the Company issued two loan notes to NewDay BondCo Plc: a fixed rate note of £275.0m at an interest rate of 7.375% per annum due 2024; and a floating rate note of £150.0m at an interest rate of three-month LIBOR plus a margin of 6.5% per annum due 2023.

On 13 April 2017 the Company issued a further loan note to NewDay Group Holdings S.à r.l. (the "Lux Loan Note") of £483.7m, at an interest rate of 9% per annum due 2027. NewDay Group Holdings S.à r.l. subsequently sold the Lux Loan Note on 28 April 2017 to NewDay Group (Jersey) Limited.

On 21 December 2018 the Company issued £3.1m of fixed rate unsecured PIK notes due 2027 at an interest rate of 9% per annum to NewDay Group (Jersey) Limited (the "PIK Notes").

10. Share capital and reserves

	As at 31 December 2019 £m	As at 31 December 2018 £m
Share capital	-	-
	-	-
Called up and fully paid share capital		
Ordinary shares		
Issued upon incorporation	1	0.01
As at 31 December 2018 and 2019	1	0.01

The Company was incorporated on 21 October 2016 with an authorised share capital of one £0.01 ordinary share. The share issued is fully paid.

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 a share of the equity in the event of winding up of the company. The share capital is wholly owned by NewDay Group UK Limited.

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

No dividend was proposed or paid during the year (2018: £nil).

Notes to the financial statements (continued)

10. Share capital and reserves (continued)

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

11. Fair value of financial instruments

Fair value hierarchy

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

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

Fair value of financial instruments carried at amortised cost

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

As at 31 December 2019					
	Level 1	Level 2	Level 3	Total carrying value	Fair value
	£m	£m	£m	£m	£m
Financial assets					
Amounts due from other Group entities	-	435.3	-	435.3	424.6
Total financial assets	-	435.3	-	435.3	424.6
Financial liabilities					
Amounts due to other Group entities	-	(435.3)	(538.1)	(973.4)	(962.7)
Total financial liabilities	-	(435.3)	(538.1)	(973.4)	(962.7)
As at 31 December 2018					
	Level 1	Level 2	Level 3	Total carrying value	Fair value
	£m	£m	£m	£m	£m
Financial assets					
Amounts due from other Group entities	-	435.3	-	435.3	382.2
Total financial assets	-	435.3	-	435.3	382.2
Financial liabilities					
Amounts due to other Group entities	-	(435.3)	(547.4)	(982.7)	(929.6)
Total financial liabilities	-	(435.3)	(547.4)	(982.7)	(929.6)

Amounts due from other Group entities:

The amount due from other Group entities comprises the Jersey Loan Notes, the fair value of which has been estimated using observable market inputs, being the prices quoted by banks on the publicly listed bonds issued by NewDay BondCo Plc, whose terms are identical. Therefore these have been classified as level 2.

Amount owed to other Group entities:

The amounts owed to other Group entities comprise the BondCo Loan Notes, the Lux Loan Note and the PIK Notes. The fair value of the BondCo Loan Notes has been estimated using observable market inputs, being the prices quoted by banks on the publicly listed bonds issued by NewDay BondCo Plc, whose terms are identical. These have therefore been classified as level 2. The Lux Loan Note and PIK Notes cannot be repriced using market observable data and therefore has been classified as level 3.

Notes to the financial statements (continued)

12. Controlling party and consolidation

The Company's immediate parent undertaking is NewDay Group UK Limited, a company registered in England and Wales. NewDay Group UK Limited is a wholly owned subsidiary of NewDay Group (Jersey) Limited. The 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) Limited 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 entity, and is able to use its power to affect the amount of returns from 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

13. Related parties

	Year ended 31 December 2019 £m	As at 31 December 2019 £m
Amounts due from other Group entities	n/a	435.3
Amounts due to other Group entities	n/a	973.4
Income from shares in Group entities	56.7	n/a
Interest income from other Group entities	31.4	n/a
Interest expense to other Group entities	78.8	n/a

	Year ended 31 December 2018 £m	As at 31 December 2018 £m
Amounts due from other Group entities	n/a	435.3
Amounts due to other Group entities	n/a	982.7
Income from shares in Group entities	13.0	n/a
Interest income from other Group entities	31.0	n/a
Interest expense to other Group entities	(76.3)	n/a

The Company has no employees and no Directors' remuneration or fees were paid directly by the entity during the year (2018: none). Directors' remuneration is borne by NewDay Cards Ltd. Details of Directors' emoluments are provided in the NewDay Group (Jersey) Limited's consolidated financial statements.

All related party transactions during the year, including those disclosed in notes 8 and 9, were made on terms equivalent to those that prevail in arms' length transactions.